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Special Marketplace issue exclusives: Gallup on beauty; DrSN *general merchandise survey*

DRUG STORE NEWS®

SECOND CLASS

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Inside the '89 ketplace ssue

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Store News/ lup Study Cosmetics Fragrances: Where Women Shop and What They Buy

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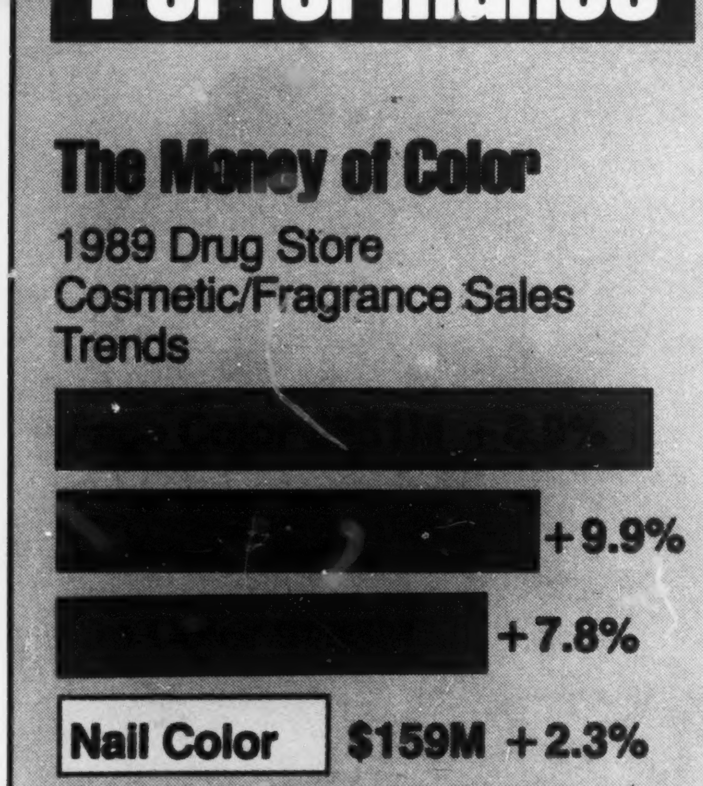
Performance

The Money of Color

1989 Drug Store Cosmetic/Fragrance Sales Trends



Source: Nielsen Marketing Research, for 12 months ending 5/31/89

More 1989 Sales Trends Starting on Page 30

Upscale strategies create cosmetics opportunities

This year, drug chains that are upscaling cosmetics presentations report growth increases as high as 15 to 20 percent. Their approaches take many forms, including department store-style fixturing, more advertising, better trained sales clerks and more cosmeticians, and higher taste levels in assortments.

These operators clearly understand the fashion spin of the cosmetics-fragrance business, and are setting some inspired examples for the rest of the retail drug field to follow. Thus, it's not surprising that consumers have purchased $1.8 billion worth of cosmetics and fragrances at drug chains last year, with all

Continued on page 25

NEWS IN BRIEF

American cooperating with SEC probe

SALT LAKE CITY — American Stores said it has "fully cooperated" with an investigation by the Securities and Exchange Commission (SEC) into an alleged insider trading scheme involving a former employee. The SEC has charged that David Hellberg, a former financial specialist with American's Alpha Beta division, shared information on the pending takeover of Lucky Stores with his father, who made a large profit in Lucky stock options after the takeover was announced.

"American Stores has fully cooperated with the SEC investigation and has no reason to believe that the commission is investigating any other employee," said company spokesman Troy D'Ambrosio in a statement.

Hellberg resigned May 31, 1988, the company reported.

Happy Harry's opening Del. store

NEWARK, Del. — Happy Harry's will open a new store in Bar, Del., president Alan Levin told *Drug Store News*. The proposed 8,550-square-foot prototype scheduled to open at the end of this month will increase the chain's roster to 22, which includes one home health care center.

Lincoln bows store in Westboro, Mass.

MILFORD, Mass. — Lincoln Discount Drugs, a family-owned deep discount chain, recently opened its fifth store, located in a Caldor shopping center in Westboro. A 12-page circular including coupons for free items helped publicize the opening.

In addition to selling all greeting cards, sunglasses, wallets and picture frames at half price every day, the chain sets itself apart from competition by redeeming empty soda cans and bottles for double the normal deposit and accepting dead batteries and light bulbs, empty pens and old magazines as trade-ins toward purchase of new ones. It also accepts most manufacturers' cents-off coupons for double face value and offers on-line lottery tickets, as well as a free second chance drawing for losing tickets.

This is Lincoln's second store in Westboro. It also has stores in Clinton, Fitchburg and Milford.

Revco boosts Rx systems management

TWINSBURG, Ohio — Revco D.S. has named Simon Eisenberg, 54, to the new post of director of pharmacy systems, reporting to vp-professional operations James Rotsart. Eisenberg, who last served as director of third-party marketing, will head up the coordination, training and implementation of Revco's chainwide conversion to its new interactive pharmacy computer system.

"Si's solid experience in so many aspects of pharmacy will help Revco as we implement and work with our new system," said Rotsart. "He has proven his ability to integrate the work of various pharmacy departments."

Eisenberg recently chaired Revco's Pharmacy Task Force, which was charged with reviewing all phases of Rx operations and recommendating changes. Prior to joining Revco last year, he served for 20 years with Walgreen Co.

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Revco D.S. is in stable condition for fall, holiday seasons: execs

By James Frederick

TWINSBURG, Ohio — Revco D.S. is heading toward the crucial fall and end-of-year selling seasons in far better condition than it was last year, according to statements by Revco officials.

Months of negotiations between Revco executives and vendors, and a slowly improving sales and earnings picture, have helped restore Revco's credibility and the cautious support of its suppliers.

In sharp contrast to the events of last year, when the company's fiscal crisis led to bankruptcy and a severe supply cutoff from unpaid vendors, prospects for the second half appear considerably brighter for the financially troubled chain.

"We have received normal back-to-school dating from our suppliers, and have received commitments for Christmas dating from all of our Christmas suppliers," noted Jim Adamson, executive vp-marketing, in a letter to vendors last month.

Adamson also wrote that comparable store sales for the most recent three-month period were well above year-ago levels. Revco's fiscal year ended June 3.

In a recent letter to Revco employees, company chairman and chief executive Boake Sells added that "business is good and getting better," with "sales, inventories and margins all improving."

Work out plan

Revco still must work out a debt payment plan its creditors will accept before it can emerge from bankruptcy. Among those creditors are the many suppliers who were left with unpaid bills at the time of Revco's bankruptcy last July, as well as junk bond holders who saw the value of their bonds plummet after the company defaulted on its interest payments last summer.

In late May, the U.S. Bankruptcy Court in Akron, Ohio granted Revco another extension of the deadline within which it has the exclusive right to file a plan of reorganization. Revco now has until Oct. 31, 1989 to file its new financial plan, and until Jan. 29, 1990 to win approval of the plan by its creditors.

The court also granted the company the right to seek further extensions.

"Extending our period of exclusivity allows the Chapter 11 process to continue in an orderly fashion and continues to foster the cooperative efforts we have begun with the official and unofficial committees of creditors," said Revco cfo Greg Raven. "Moreover, it encourages a continuation of satisfactory terms with our trade suppliers."

In line with bankruptcy court requirements, Revco has already presented its creditors and lenders with a confidential five-year business plan. Raven said discussions would begin soon "to formulate as broad a consensual plan of reorganization as possible.

"It is Revco's sincere desire to emerge from Chapter 11 as quickly as possible as a healthy, competitive company and with a plan that is in the best interests of all parties in interest," he said.

A company spokesman said Revco's creditors' committees and lending banks had all supported its request for a plan deadline extension.

In another development, the deadline within which creditors could file a claim against Revco in bankruptcy court expired May 19.

San Antonio TV station will air Lexis' controversial contraceptive ad

By Harold Cohen R.Ph

SAN ANTONIO — San Antonio television viewers who tuned into CBS affiliate KENS-TV earlier this month almost got to see a little bit of advertising history being made when a commercial for Lexis Pharmaceuticals' N.E.E. 1/35™, its brand of norenthindrone and ethinyl estradiol oral contraceptive, was scheduled to air on the San Antonio affiliate.

But as soon as the media picked up on the story and began contacting the station for interviews on the controversial ads, the station backed down on its commitment to run the commercials. After being urged by Lexis to run the spot, the station reconsidered running the commercial, but at press time viewers still have not seen it.

When the commercial runs it will be the first time that an oral contraceptive requiring a prescription would be advertised on television. The thrust of the commercial compares the Lexis brand of oral contraceptive, which is mentioned by brand name, with two category market leaders, Ortho's Ortho-Novum® 1/35 and Syntex's Norinyl 1 + 35, also mentioned by their respective product names.

According to Al McConnell, vp of market development at Lexis, KENS-TV originally agreed to run the commercial despite a CBS network moratorium on prescription advertising that specifically mentions a product by name. He said the ad was also rejected by the other two major networks and by Fox Broadcasting.

If KENS-TV gets cold feet again and ultimately decides not to run the commercial, McConnell said the company is not very concerned, because following a recent *Wall Street Journal* article on the station's indecision to run the commercial, the company "has been flooded with requests to run the spot on other stations."

The 60-second spot (there is a 30-second commercial prepared as well) opens with Lexis Pharmaceutical's president, John Bryer, telling viewers, "I have good news for women using Ortho-Novum 1/35 or Norinyl 1 + 35."

Bryer goes on to compare the cost of the Lexis product with the two market leaders. " . . .it can cost you up to 50 percent less each month . . .that's as much as 90 dollars a year."

The commercial ends with a suggestion for women to contact their physician for more information, and a product shot with an 800 number for women to call the company for further information about the product.

McConnell said that once the commercial runs, the company will be bracing itself for "heavy consumer calling."

While the Lexis commercial is the first oral contraceptive spot to run on television, it is not the first prescription product to appear in a television commercial that is mentioned by its brand name.

McConnell told *Drug Store News* that according to FDA regulations on prescription drug advertising, a company can run a commercial mentioning a product by its brand name as long as no claims are made for the product.

On the other hand, if a company advertises claims for a prescription product, it is not permitted to mention its brand name without a full disclosure statement appearing as part of the ad. According to McConnell, the FDA's thumbs-up on the commercial came after "many months of its review."

DrSN hires asst. pharmacy editor

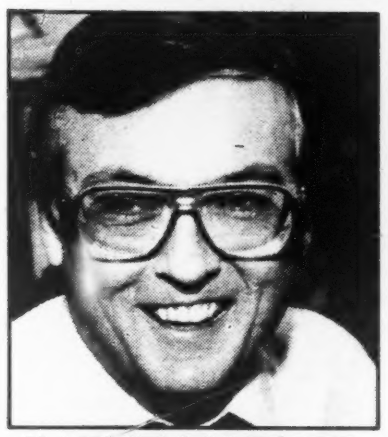
NEW YORK — Elizabeth Richardson has joined the *Drug Store News/Inside Pharmacy* staff as assistant pharmaceutical editor. She is a graduate of the University of Texas at Austin (UT), where she received a Bachelor of Journalism degree.

Before moving to New York, Richardson maintained her residence in Austin, Texas, where she worked for the Texas Pharmaceutical Association (TPA). Some of her duties included researching, writing, reporting and laying out TPA's journal, *Texas Pharmacy*. Her other experience includes an internship with *Family Circle* magazine and service as makeup editor of *The Daily Texan*, UT's school newspaper.

Richardson

OPINION

Marketplace just keeps on growing



IN THE MARKET
BRUCE BUCKLEY

From the beginning, the expansion strategy for the Marketplace Conference has been conservative. NACDS's idea: foster growth at a more moderate pace and avoid the "bends" that come from a too-rapid ascent to the top. Achieving this ideal, however, has been a little like trying to rein in a thoroughbred racehorse on Derby Day.

Take this year. NACDS had planned for a 10- to 15-percent expansion. In fact, the growth will be closer to 30 percent.

Attendance is up in every category. The number of chains will reach 85-plus this year, compared to 78 a year ago. Individual chain attendees will increase from 341 to approximately 430.

For associate member companies, the growth is even more impressive: 315 companies and approximately 1,300 individuals this year, vs. 201 companies and 885 attendees in 1988.

The wonder is that the show could have been even larger. Calls pour in every day from companies and individuals hoping that NACDS will be able to shoehorn them in. With hotels and exhibition floor space already filled to bursting, it's become virtually impossible to find the room.

Achieving moderate growth has been like trying to rein in a thoroughbred on Derby Day.

That's not a bad problem to have, as uncomfortable as it may be to have to say no. The flat-out success of this show has been partly the result of the attractiveness of the Marketplace concept itself, and partly the result of the association's sharp marketing.

This year NACDS used retail-like promotional incentives to boost the number of chain drug representatives in order to retain the ideal four-to-one ratio of associate to chain attendees. Chain companies sending multiple representatives were given a break on the cost of registering additional attendees. A two-for-one deal was worked out to lure drug chains who had never attended before: Send one rep, the second registers free. As a result, there will be 21 chain companies attending for the first time this year.

Is there a limit on how big this show can get? Of course. It will never achieve the huge size of the Food Marketing Institute's merchandise show. But next year's edition at the Loew's Anatole in Dallas promises to be larger, and the eventual saturation point seems a long way off.

In the meantime, Eeeyahh! On to Opryland!

* * *

Growth in the cosmetics-fragrances categories may not be all that retail drug store companies would like, but the increases achieved by chains that have upgraded their departments and made them easier and more comfortable to shop are mostly up in the double-digit range. That's perhaps the most important news from our special Marketplace coverage in this issue. The other is the key role that bright and enthusiastic people—both store-level individuals and supervisors—play in promoting sales growth.

Both statements would seem to be pretty obvious. Yet so many stores around the country apparently are willing to rely on tired cosmetics-fragrance presentations and unenthusiastic sales help to sell to customers who have been led to expect a lot more as a result of their daily exposure to glossy, exciting print and television advertising.

The marketplace keeps getting tougher, and those that fail to keep up, well, they'll still be complaining next year about the lack of exciting new product entries or the competition from the combo or discounter down the street.

Revco's pre-pricing frees store help

MIDWEST REPORT
JAMES FREDERICK

TWINSBURG, Ohio — Revco D.S. is trying to give its store employees more time for customers by pre-pricing split-case merchandise at its distribution centers, rather than having it price-stickered in the stores. The newer method, called pick-and-price, is now moving chainwide at about 100 stores per week after tests in Revco's Hope Hull, Ala., distribution center last September.

Now, "pre-priced orders arrive at the stores ready to be put on the shelves," said Victor Lee, head of distribution services for Revco. "Plus, products that are displayed on adjacent store shelves are packed and shipped in the same tote."

About 75 percent of store merchandise can be pre-priced at the warehouses, according to the chain. Excluded are Rx, full-case shipments and display counter items like candy and gum.

Revco moves about 4,500 pieces of OTC, promotional and seasonal split-case products to a typical store each week.

A&P begins converting its Michigan stores

DETROIT — Knowing a good retail name when it sees (or buys) one, The Great Atlantic & Pacific Tea Co. has begun the long process of merging its Michigan operations into those of its former rival, Farmer Jack's. The A&P logos have already come down on two Detroit-area stores as the supermarket giant converts to the Farmer Jack's logo and format in this market.

A&P bought Farmer Jack's parent company, Borman's, early this year after competing with the local chain for years. The buyout touched off fears of higher prices in southeastern Michigan, where Farmer Jack's has always been the low-price leader. It remains unclear just how much A&P will cling to Borman's low-price strategy once the two operations are fully merged.

"Paul Borman was always sort of Kamikaze the way he lowered prices," said Steven DiMaggio, an investment analyst with Roney & Co. in Detroit. "He would just charge in and drop prices drastically to get market share, but I think (A&P chairman) Jim Wood understands that everybody has to make money to stay in this market."

'Plus, products that are displayed on adjacent store shelves are packed and shipped in the same tote.'

One thing that is clear is that A&P will maintain Farmer Jack's aggressive commitment to pharmacies and combo retailing. Prior to the merger, A&P was never a factor in the Detroit area's drug store market. Farmer Jack's, on the other hand, operates 34 pharmacies in its 79 stores.

A source at Farmer Jack's told me A&P was already preparing pharmacies in "at least two" of its own stores following the merger. "I'm sure A&P is going to expand our pharmacy operations," the source added.

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SPECIAL SAMI REPORT

To detect long-term trends, 5-year figures vital

PRODUCT TRACKING

ALAN MILLER

Because SAMI hasn't tracked health and beauty aids volume in drug stores over an extended period, we'll use food store figures to detect long-term trends. Comparisons of retail dollar sales over a five-year span often turn up results that are quite different from results generated over a year's time, or 12 weeks or 28 days.

For example, five-year Arbitron/SAMI figures show food store sales of home permanent kits declined 20.1 percent from 1984 to 1988. Moreover, in the year ended April 21, 1989, sales of home permanents were 6 percent lower than in the corresponding year-earlier period.

However, on a 12-week basis,the pace of home permanent sales was ahead by 2 percent, and for the most recent four weeks, new product activity sparked a 6.6 percent increase.

Another important fact to be considered by manufacturers and retailers is how sales trends can vary between overall product categories and more specific product classes.

In the internal analgesics category, for instance, retail dollar sales in food stores increased 34.7 percent over five years. But within the analgesic category, the ibuprofen product class, led by Advil, simply caught fire, gaining 731 percent.

In contrast, children's aspirin brands fell 38.4 percent in food stores in five years, and arthritic specialty analgesic sales were down 9.5 percent. However, in 1988, sales of arthritic remedies had recovered 21.7 percent from the 1986 level.

There are other examples:

- Baby powder sales fell 7.7 percent during the five-year period, while baby powder products containing corn starch enjoyed an advance of 25.4 percent.

In the baby oils, creams and lotions category, overall sales were up 11.1 percent in five years.

In breaking down the category, wide differences in sales trends become apparent. Baby lotions were ahead by 31.5 percent, while sales of petroleum jelly faded by 2.2 percent.

- In the deodorant spray category, sales were down 7.7 percent from 1984 to 1988, as consumer preferences shifted to sticks. Anti-perspirant aerosol sprays were up 9.2 percent during that period, in sharp comparison to body sprays, which dropped 64.2 percent in sales.
- First aid products gained 9.5 percent from 1984 to 1988, with product class volume gains ranging from 25.8 percent for gauze and gauze pads to 6.8 percent for cotton swabs.
- As a result of fewer important new product introductions in recent years, shampoo sales dropped 1.6 percent from 1984 to 1988, but there have been major changes in the product mix during the same interval.

Sales of balsam and protein shampoos rose 95.4 percent, while special-purpose shampoos gained 44 percent. In contrast, sales of conditioning shampoos dropped 36.7 percent.

- Hair sprays recorded a five-year increase of 45.8 percent, with the highest gains credited to super hard-to-hold aerosols (up 88.3 percent) and hard-to-hold pumps (+247.4 percent).
- The five-year gain in the toothpaste and powder category was a modest 9 percent, but toothpaste pumps advanced 340.6 percent and tooth gel pumps were up 212 percent.

However, in the 12 weeks ended April 21, 1989, food store dollar sales of pumps trailed the year-earlier period by 15.7 percent, while pump gels were running 16.6 percent behind last year's comparable 12 weeks.

A different story

- Food store sales of antacids were 34.1 percent ahead on a five-year basis. Effervescent items, however, were up only 1.4 percent over that period compared to chewable items, which grew by 49.7 percent.
- Sales in the nasal spray-drops-inhalers category rose by 14.7 percent. The increase can be credited mostly to growth among sprays (+17.3 percent), whereas nasal drops suffered a 6.3 percent loss.
- Laxative and stool softener sales improved by 36 percent in five years, with some of the gain coming from the newly tracked suppositories.

The powders (+50.3 percent) and granular (ahead by more than 1,000 percent) accounted for a large portion of the five-year dollar gain in the category.

- In five years, eye care sales more than doubled. However, sales of regular contact lens solutions fell 52.8 percent as consumer attention was drawn to soft lens solutions, which gained 159.9 percent, and hard-gas permeable items (up 186 percent since 1985, when they first became a special SAMI product class).
- During the five-year period, shave creams have remained fairly constant in dollar sales, but sales of jars increased 54.2 percent.

Razor blades also failed to achieve sales momentum (up only 4.3 percent in five years), but disposable shaver systems have increased 63 percent. Disposable prepacks, injectors and double-edge carbon items have suffered major dollar losses.

- Five-year sales of facial preparations were ahead by 19.5 percent, spurred by the new class of facial sponges, which was created in 1985 to accommodate the Buf Puf items.

The five-year growth of suntan products was assisted in particular by the new screens (up 133.7 percent).

Those are just some of the highlights of the special Arbitron/SAMI report on H&BA trends by product category and product class.

Readers can get information on obtaining the complete report by writing to Warren Spence, vp-H&BA marketing, Arbitron/SAMI, 55 Greens Farms Road, Westport, Conn. 06880.

Comparisons of retail dollar sales over a five-year span often turn up results that are quite different from results generated over a year's time, or 12 weeks or 28 days. Another important fact to be considered by manufacturers and retailers is how sales trends can vary between overall product categories and more specific product classes.

Arbitron/SAMI five-year retail food store dollar trends

(Percentage change in retail dollars for health and beauty aid categories, 1984–88)

Baby powders	– 7.7%
Baby oils, creams & lotions	+ 11.1
Infant clothes	– 30.3
Nursing supplies	+ 38.5
Spray deodorants	– 7.7
Roll-on deodorants	+ 1.7
Stick deodorants & pads	+ 47.4
Cream deodorants	– 25.2
Deodorant & talcum powder	+ 37.3
Feminine hygiene deodorants	+ 30.5
Foot deodorants & athlete's foot remedies	+ 62.0
Feminine douches/washes	+ 28.1
First aid antiseptics	+ 62.3
First aid products	+ 9.5
Shampoo	– 1.6
Hair spray	+ 45.8
Hair conditioning rinses	+ 8.7
Hair setting needs	+119.7
Home permanent kits	– 20.1
Hair coloring	+ 21.9
Hair dressing needs	– 3.9
Toothpaste & powder	+ 12.8
Mouthwash	+ 50.6
Breath fresheners	+ 8.3
Denture cleaners	+ 6.4
Denture adhesives	+ 12.0
Toothbrushes	+ 43.1
Antacids	+ 34.1
Internal analgesics	+ 34.7
External analgesics	+ 5.0
Cold remedies*	+ 37.6
Nasal spray-drop-inhaler	+ 14.7
Chest rubs	+ 2.9
Cough remedies*	+ 9.1
Laxatives & stool softeners**	+ 36.0
Sleeping aids	+ 43.6
Tranquilizers	– 28.3
Eye care products	+110.0
Appetite suppressants	+ 13.3
Synthetic vitamins	+ 11.1
Natural vitamins/minerals/supplements†	+ 31.6
Shaving creams	+ 0.3
Pre-shave lotions	+ 9.9
After-shave lotions	– 6.7
Razor blades	+ 4.3
Razors & blades	+ 1.5
Hand & body cream & lotions	+ 47.0
Facial preparations	+ 19.5
Lip care products	+130.0
Suntan lotion-suntan oil	+ 61.4
Cosmetic & medicated skin aids	+ 26.1

*4-year trend due to category change in product mix

**Laxative suppositories not tracked until 1988

†3-year trend

Source: Arbitron/SAMI

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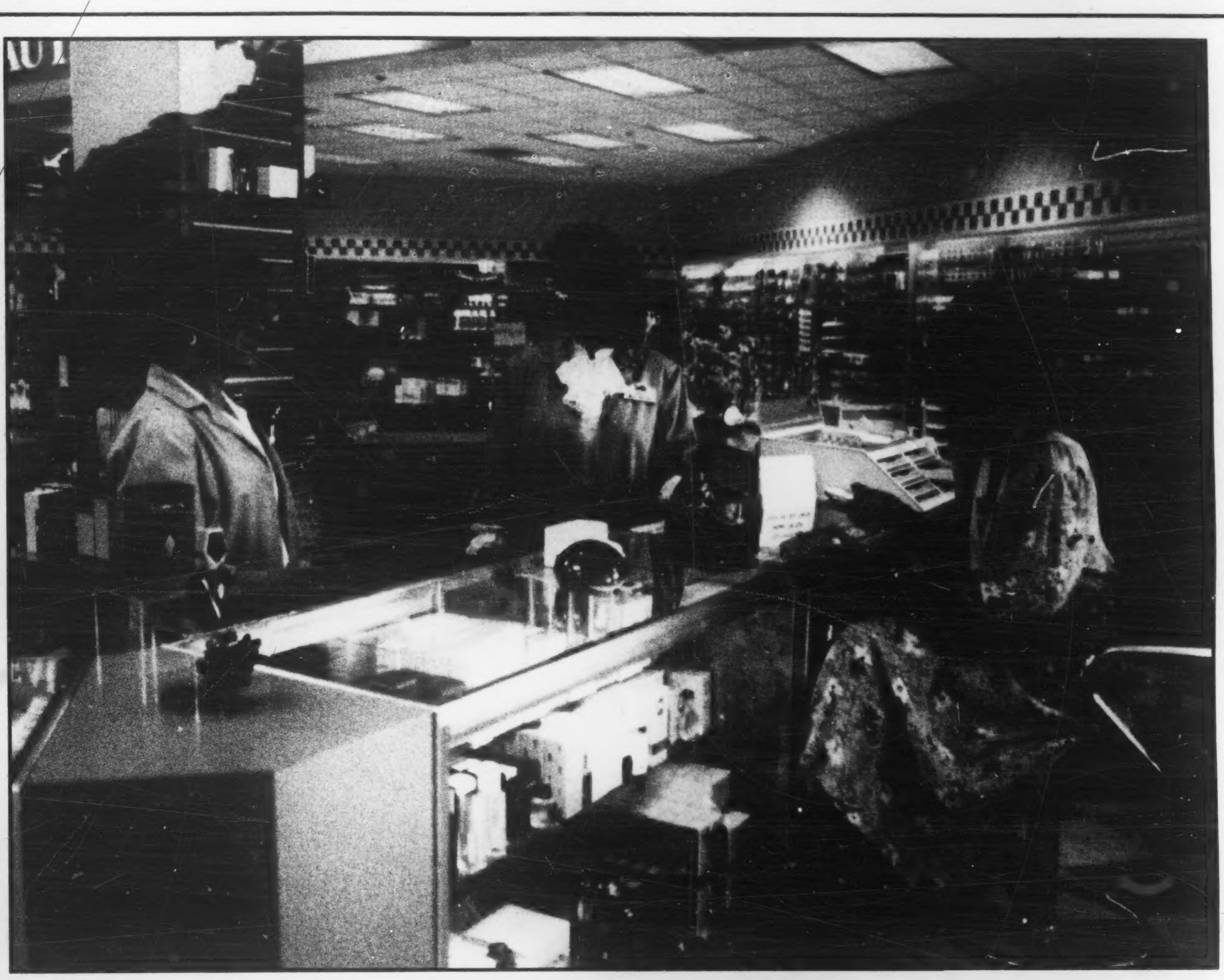


Upscale strategies create cosmetics opportunities

Continued from page 1

indications that growth will continue to be steady and strong.

Moving into 1989's second half, buyers are largely optimistic that cosmetics and fragrance sales will head upward, as long as management support translates into aggressive merchandising, competitive pricing, strong visual presentations with a dose of talented and well-trained store-level cosmetics clerks.

These are all vital steps, as drug chains vie for beauty-oriented women to shop their stores for favored cosmetics and fragrances. The staunchest competition, merchants generally agree, are the department stores. Upstart cosmetics specialty chains are also bound to have impact before we're deep into the 1990s.

On the product side, chain drug retailers are generally expanding space for what they consider are some of the hottest growth categories: mascaras, skin treatments, bath and shower products, and facial make-ups. They are advertising more, and in markets where it makes sense, targeting free-spending teens as a key consumer group.

Chains find that upgrading depts. can lead to cosmetics sales growth

Cosmetics is a fashion business even in mass stores so "image"is very important to shoppers.This new Fantle's Drug store pulls out all the stops in its try for the right look.

Many of the chains reporting strong cosmetics growth started several years ago to upgrade their cosmetic departments.

These chains have added new and more modern fixtures to cosmetics, have brought in more prestige department store lines like Arden and Lancome whenever possible, and have given expanded space to the strongest mass lines such as Revlon, L'Oréal, Cover Girl and Maybelline.

Overall, however, the cosmetic sales growth picture this year is mixed just as it is for fragrances.

About half the chains we talked to said their cosmetics sales for the first half of 1989 are stronger than last year, but others reported the opposite.

Strong sales, flat wall

In some markets, buyers were reporting that their promotional sales are strong, but that their "wall" is flat.

"Our overall store sales are very, very strong," said one buyer, "and our customers are responding well to our ads, but our wall is weak, so maybe cosmetic prices are too high."

In the past, this chain did not have a standard planogram for cosmetics and that also may have been part of their problem with growth.

Now, however, the department has an expanded standard planogram that gives cosmetics and fragrances an additional 20 feet in undermerchandised stores. The buyer felt that planogram could be implemented chainwide by the end of the summer.

Overall, many chains are converting from generic sets to family sets, and in the process installing new fixtures from manufacturers such as Revlon, Factor, or Cover Girl.

In some cases, chains with a number of stores in heartland America are still struggling with the issue of service.

One buyer for a large chain with stores in states such as Ohio, Illinois and Indiana said he wasn't convinced the need for service was as strong outside major metropolitan areas such as New York, Los Angeles and Chicago.

Basically, during peak hours, his plan is to have part-time clerks service the cosmetic department to help answer questions and recommend certain products for specific applications, but for the off-hours, the department would be self-service.

'Good atmosphere'

"We're trying," the buyer said, "to get our customers to want to shop our stores because they're convenient, relaxed and pleasant to shop. We know we may not have the lowest prices in the market, but we have reasonable prices and we're trying to have a good atmosphere. We hope for that customer that translates into what I call "perceived value."

More than half the chains we talked to, however, were moving more decisively to give their customers more service. Several were testing the addition of another management level to the cosmetics department. Some chains called this level a "cosmetic supervisor" while others called them a "cosmetic merchandiser."

Generally, the buyers trying this approach were convinced it would be the key to successfully developing this department in the future.

Growth in 1988 color cosmetic sales by retail segments

(Drug vs food vs mass merchandise stores)

Retail segment	Retail sales (millions)	Percentage change vs. 1988
Food	$ 325	9.6%
Drug	1,047	7.8
Mass merchandise	341	2.0

Source: Nielsen Marketing Research for the twelve month period ending 5/31/89

All color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	61.9%	16.9%	21.1%
1986	60.7	17.9	21.4
1987	60.5	18.5	20.9
1988	61.3	18.9	19.8
1989	61.1	19.0	19.9

Source: Nielsen Marketing Research, for the 12-month period ended 5/31/89

New cosmetic line launches

Brand	Manufacturer	Quarter of launch	Comments
Natural Wonder LASHMANIA	Revlon	3rd '89	New line in four shades.
Korff Extra Pure with Microcaps Retinyl-A Treatment Makeup	Korff USA	2nd '89	First treatment line to combine color with Retinyl-A treatment. Fashion image. Moderate prices.
Quintessence Color line	Quintessence	2nd '89	First line of color cosmetics from this manufacturer.
Chameleon	Max Factor	1st '89	New color innovation. Changes, when worn, to complement any outfit. Available in Lasting Color Lipstick, Diamond Hard Nail Enamel and Satin Blush.
Bonne Bell Watercolors	Bonne Bell	1st '89	Collection of waterproof summer makeup with sun protection. For eyes, lips and face, plus skin cooler.
Physicians Formula	Tambrands	1st '89	Will expand into 11 Midwest and Southern states this year, to end 1989 with distribution in 45 states.
Extra Pure	Korff Inc.	4th '88	Treatment line consisting of 15 eye pencils and eight each of mascaras, creamy eye shadows, and luminous tinted moisturizing creams.

Source: *Drug Store News* survey

Editors' note

The sources quoted in our fragrance and cosmetics sales and category trend stories represent close to 40 percent of total stores within the chain drug industry, and almost 50 percent of all stores owned by the Top 50 highest-volume drug chains.

This year, we decided to keep our individual sources anonymous. This stratagy allows buyers and merchandisers to be absolutely frank and honest with us. Without this level of protection, we've learned that some sources tend to overinflate their estimates of sales growth or they rate a segment, brand or a line higher than might be the case in a private discussion.

Facial, eye products offset tapering nail sales: buyers

Many cosmetics buyers say their nail care sales have tapered off this year, and that stronger growth is now coming from facial foundations and eye color products, like no-color and hint-of-color mascaras.

These are also the trends that Nielsen Marketing Research is tracking in its store audits of the color cosmetics category.

According to Nielsen, eye color cosmetic sales were up nearly 10 percent this year to $283 million, while facial color product sales were up 7.8 percent to $351 million.

Nail color, on the other hand, only increased a moderate 2.3 percent to $159 million.

Buyers feel that the growth in mascaras and face makeups is primarily due to the rash of new products that have just entered the category. Nail color has also had a slew of major new launches, but that category has been booming for nearly three years now and some buyers say a flattening out of growth was to be expected.

In color cosmetics, drug stores continue to be the dominant outlet for mass color sales, with a 61 percent share of all mass market cosmetics sales.

However, Nielsen found that this year growth was slightly stronger in food stores, where sales of color cosmetics increased nearly 10 percent to $325 million. Sales in drug stores were up nearly 8 percent to $1.05 billion.

Despite the fact that many discount and mass merchandise stores have been upgrading cosmetics recently, refixturing the department to create a more attractive ambiance and expanding their mix to include a broader assortment of product, sales of color cosmetics for the 12 months ending last May were only up 2 percent to $341 million in mass merchandise stores.

Growth in color cosmetic sales by category segment

(retail sales in millions)

Segment	Retail sales (millions)	Percentage change vs. 1988
Eye	$ 491.7	(7.6%)
Lip	383.8	8.4
Nail	247.3	0.9
Face	590.0	8.2
All color cosmetics	1,713.0	7.0

Source: Nielsen Marketing Research, for the 12-month period ended 5/31/89

Growth of color cosmetic sales in retail drug stores

(Retail sales in millions of dollars, 12 months ended 5/31/89)

Category segment	$ sales (millions)	% change vs. last year
Face color	$350.9	8.9%
Eye color	$283.3	9.9
Lip color	$253.4	7.8
Nail color	$159.2	2.3
All color cosmetics	$1,047	7.8

Source: Nielsen Marketing Research

New eye cosmetic products

Brand	Manufacturer	Quarter of launch	Comments
Maybelline Performing Color	Maybelline	3rd '89	Longer-wearing eye pencil liners. Eight shades @ $3.15.
Maybelline COLORSTIX Powder Pencil Eye Shadow	Maybelline	3rd '89	New formula for superior application and texture. Eight shades @ $4.25.
Aziza Clear & Natural Mascara Aziza Clear Contact Lens Mascara	Prince Matchabelli	2nd '89	New line—five botanical gel mascaras plus a clear contact lens mascara.
Designer Eyes	Max Factor	2nd '89	New tri-color collection. Five kits @ $4.95.
Cover Girl Soft Radiants Sheer Color Eye Definers	Noxell	2nd '89	Eight pearl shades that glide on without pulling.
Cover Girl Soft Radiants Two Kit Shadows	Noxell	2nd '89	Line extension: six shades.
Cover Girl Natural Lash Clear Mascara	Noxell	2nd '89	Line extension: a see-thru gel.
Max Factor Some Color	Max Factor	2nd '89	See-through gel mascara with a hint of color. Four shades.
Aziza Soft And Silky Mascara	Prince Matchabelli	1st '89	New line of mascaras with silk protein in the formula. Conditions and softens lashes as it makes them fuller. Six shades.
Flame Glow Color Tints	Del Labs	1st '89	Launch of first sheer powder eye shadow. Nine shades.
Flame Glow Light Lash	Del Labs	1st '89	More than a clear gel; less than a traditional mascara. Two formulas. Three shades. New line.
Flame Glow Eye Graphix	Del Labs	1st '89	Launch of first 3-dimensional eye shadows. Six shades plus three eye definer pens.
Bausch & Lomb Eye Cosmetics	Bausch & Lomb	1st '89	New line of eye care products includes 24 shadows, six mascaras, eight eyeliners. TV and print ads support launch.
Optex New Lash	Optex	1st '89	Not a mascara, but an overnight formula that conditions to create fuller lashes.
Max Factor 2000 Calorie Mascara	Max Factor	1st '89	A "body-building" mascara for thick, long lashes. Plumps lashes up to 300 percent their normal size. SRP: $4.95.
Max Factor Brow Tamer	Max Factor	1st '89	Designed to shape, define, seperate and condition "unruly" eyebrows. SRP: $5.
"Fashion Tech" eye and lip pencils	Revlon	1st '89	Coloring tools that combine the latest technological advancement in cosmetic pencils with the most desirable fashion colors.
Revlon Sheer Tints Mascara	Revlon	1st '89	A clear gel that gives a hint of color and a touch of curl. SRP: $4.95.
Aziza Contact Lens Cosmetics	Prince Matchabelli	1st '89	First mass-market line designed specifically for contact lens wearers. Sixteen SKUs: mascara, eyeshadow, eyeliner and eye makeup remover. SRP's from $3.50 to $4.50.
Maybelline Shine Free Waterproof Extra Thickening Mascara.	Maybelline	1st '89	Thick lashes in a waterproof formula. SRP: $2.85.
The Shadow Card	Revlon	1st '89	A new slimline eye shadow compact. SRP $5.50. Four shadows to a kit; eight kits.
The Studio Collection by Jordache.	JC & F Cosmetics	4th '88	Four palettes for face and eye. Prepacks are available.
Jordache Basics Cosmetics	JC & F Cosmetics	4th '88	A collection of creamy, contoured eyeshadows in a range of fashion shades. They can be applied wet or dry.
Vitamin E Brow Definer	West Cabot	4th '88	Hypo-allergenic. Contains Vitamin E. "Tames" unruly eyebrows.
Crystal Clear Tinted Mascara.	West Cabot	4th '88	Line extension. Adds highlights without heavy color. Three shades. SRP: $3.00.
Max Factor Shadow Express	Max Factor	4th '88	New technology makes five powder shades available in a credit card slim compact. Available for a limited time only. SRP: $4.95.
Max Factor Quick Draw Magic Eyeliner Pen	Max Factor	4th '88	Hypoallergenic felt tip pen that works as a flow-through pen. SRP: $4.85.
Eye Q's	Andrea	4th '88	Line Extension: New formula for sensitive skin. Removes waterproof mascara.
Natural Wonder Heartbreakers Shadow and Liner Kit	Revlon	4th '88	The first and only shadow and liner combination packaged together in one kit, Featured are four color-coordinated three-pan kits.

Source: *Drug Store News* survey

Mascaras, treatments, foundations growing fastest

This year mascaras, skin treatments and foundations seem to have overtaken nail products as the fastest growth segments in most chain drug stores, with sales up between 10 percent to 20 percent.

Nail care still up

Nail care is not soft, however. Many buyers say their sales are still up, but at rates ranging from 8 percent to 10 percent on average.

Last year many chains were reporting 20 percent increases in nail sales, with the treatment segment showing the strongest growth.

This year some chains say their color sales are growing faster than nail treatments, but this is not the case across the board. Some buyers also point out that their nail color sales are up more simply because they carry more SKUs of color than they do of treatments.

As a line, Max Factor is still on a roll with mascaras. Some buyers say that overall, Max Factor is the fastest-growing line that they carry in their stores right now.

No-Color Mascara is still doing well at most chains, although there are a few reports of slowdowns. But now Factor's 2000 Calorie Mascara is also coming on very strong—one buyer termed the product's sales as being "fabulous."

Revlon's Hint of Color was just getting to many stores at press time, but buyers who had it said initial sales were doing well.

Cover Girl's No Color was named by several buyers as also strong, and so was West Cabot's No Color.

L'Oréal's Lash Out is very strong in almost every chain—some buyers said it was "flying" out of their stores—and Maybelline's mascara is also doing well.

Therapeutic effects

Revlon's Lash Repair is positioned more as a therapeutic product than a fashion mascara, but several sources say it is doing very well for the short time it has been available. One source said he thinks that Lash Repair works particularly well for fair-skinned women who have had the least success with No Color.

"It's not flying out the door yet," one source elaborated, "but it's doing very well for a therapy product. It also works great. You don't lose your eye lashes when you take off your makeup. I think that word of mouth is going to build this item."

Several sources said that Factor's Brow Tamer is also doing well. Launched earlier this year, Brow Tamer helps shape and tame "unruly eyebrows."

Reviews were mixed on the new slim eye shadow kits that came last year from manufacturers like Revlon, Factor and Maybelline. Some sources said they were moving very well, while others said they were "disappointed" the kits weren't selling as well as expected.

Eye lashes don't have a very broad market, but most buyers say they are consistent sellers, with the Ardell line often singled out as one of the best.

Aziza's Contact Lens Cosmetics have scored strongly with some chains, but some buyers report that the line's sales are just average.

One buyer who said sales were strong says it may be because she discovered she could successfully advertise Contact Lens Cosmetics as a separate line or as a line within a line.

One source said that although he has added the Contact Lens Cosmetics to his planogram, his movement from the pre-packs "seems slow and the jury may still be out on the line."

The Bausch & Lomb eye cosmetics are also drawing an early mixed reaction. Most sources reported they are not selling well, but a few buyers say they are doing OK.

The buyer for one of the industry's bigger chains said he is surprised the line hasn't done better in his stores. He said he expected it to be a "natural" because of Bausch & Lomb's "clout" with contact lens wearers.

Customers' perceptions

"Apparently, people would rather buy contact lens cosmetics from a cosmetics company. The Bausch & Lomb name doesn't seem to have the same clout with cosmetic users," he reasoned.

Some chains, however, have put up shelf signs in their eye lens departments which direct customers to the Bausch & Lomb cosmetics line, and buyers tell us that has worked very well, and sales on the cosmetic products have been brisk.

Eye color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	57.9%	19.6%	22.5%
1986	56.5	20.3	23.2
1987	56.1	21.1	22.9
1988	57.8	21.3	20.8
1989	57.6	21.5	20.9

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Growth in eye color* sales by retail segment

Retail segment	Retail sales (millions)	Percentage change vs. 1988
Food	$106	10.5%
Drug	283	9.9
Mass merchandise	103	(0.9)

*Eye color includes mascaras, shadows, liners and pencil refills.

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Growth in nail color* sales by retail segment

Retail segment	Retail sales (millions)	Percentage of change vs. 1988
Food	$ 42	2.5%
Drug	159	2.3
Mass merchandise	46	(5.1)

*Nail color includes polishes and removers.

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

New nail cosmetic products

Brand	Manufacturer	Quarter of launch	Comments
Revitalizing Color for Nails	Maybelline	3rd '89	Nail color/treatment line. 20 shades plus clear. $2.50.
Nail Thick	Max Factor	2nd '89	Nail thickener that also shields the nail from damage. $6.50.
Revlon Nail Treatments: Cuticle Check, Stainguard Anti-Stain Base Coat, Maximum Shine Top Coat, Grow 10	Revlon	2nd '89	New four-SKU line of at-home professional manicuring aids.
Cosmar Sculpture Quik Acrylic Primer	Cosmar Corp.	2nd '89	First acrylic primer for retail market. $3.99.
Cover Girl Ten Terrific Nails Instant Base Coat	Noxell	2nd '89	Line extension: Goes on instantly to speed up treatment process.
Max Factor L.A. Nails	Max Factor	2nd '89	French manicure: four shades.
Sally Hansen Cuticle Zone Therapy Nail Color Remover Pad, Bright Nails Stain remover, 2-in-1 Nail White Pencil	Del Labs	1st '89	Line extensions: Breakthrough three-phase formula.
Cover Girl Nailslicks Transparencies	Noxell	1st '89	Shiny to create a "wet" look. seven sheer shades.
Grow Strong Restructuring Nail Color	L'Oréal	1st '89	Formulated with keratin fortifiers to penetrate the nail and bind together the nail layers. Primer plus 23 colors. SRP $3.65.
Shine Free ColorTough For Nail	Maybelline	1st '89	Mini-sized nail colors matched to mini-sized ColorSoft For Lips line.
Scultured Gel Nails	Jonel Inc.	1st '89	New gel formula makes nail neater and easier to apply.
Cutex Shine On	Prince Matchabelli	1st '89	New line emphasing extra shine and longer wear.
Cutex Nail Care	Prince Matchabelli	1st '89	Twelve-SKU line of nail treatments.
Cutex Nail Implements	Prince Matchabelli	1st '89	Seven-SKU line of nail implements.
Satin File	Revlon	1st '89	Can file the nail without damaging manicure or nail color.
Cutex Strong Nail Polish Removers	Prince Matchabelli	4th '86	Removes polish while conditioning nails.
Andrea Professional Nails	Andrea	4th '88	Contoured glue-ons in three shapes. SRP: $4.99. Refills and glue will also be sold seperately.
Andrea Nails Remover	Andrea	4th '88	Cleans and clears nails in 60-75 seconds. Won't harm nail or cuticle.
Chevron Style	Orly Int.	4th '88	Line extension to French manicure collection.
Nail Miracle	Beauty Labs	4th '88	New nail treatment/conditioner.
Sally Hansen One Coat Instant Strength Calcium Gel Nail Fortifier.	Del Labs	4th '88	Line extension.
Ciani 3-Way Clear	PC Industries	4th '88	A clear nail lacquer, mascara and lipstick. The lacquer can be used as a three-in-one product: as a top or base coat or as a clear lacquer.
Revlon Calcium Gel Nail Builder	Revlon	4th '88	A superior strengthener in a fast drying gel formula.

Source: *Drug Store News* survey

Nail treatments still are above-average growth segments within cosmetics. Implements and accessories, often merchandised beside treatments, are also doing well.

Nail color sales are outpacing nail treatments at most chains

In nail care products, Cutex Shine On is doing very well in many chains, and buyers say L'Oreal's new Grow Strong is "fabulous." The Cutex Strong Nail line is also selling well, although sales of Strong Nail color items are outpacing treatment items, several buyers said.

This year some buyers say their sales of nail treatment have slowed somewhat, while nail color sales have picked up. This may be because there are many new color lines on the market with treatment properties.

In treatments and color with treatments, Sally Hansen, Revlon, Cutex Strong Nail and L'Oreal's Grow Strong are said to be doing the best job at mass merchandisers.

Salon treatments

Also doing very well are what our sources call the professional or "salon" treatment products. Some buyers say these brands are showing the strongest growth within their treatment mix.

Several buyers said the De-Lore line is selling especially well. Several chains advertised their Nail Kit at Mother's Day and reported an outstanding sell through.

One of the biggest chains reported that Formula 10 is especially hot right now, while among upscale mass treatment brands, Revlon's Nail Therapy is also doing well.

Several buyers said the nail treatment skin patch from Beauty Labs, Over Night Nail Miracle, is doing very well. A buyer with stores in New York and New Jersey said it was particularly strong there, and a source for one of the largest chains said that for a relatively high-priced item, it was doing very well in her stores.

However, a source for another large chain said he was "disappointed" in Nail Miracle, adding that it really wasn't that hot in his stores and possibly this was because of price.

In artificial nails, Lee still seems to be the leader, with its Sculptured nails selling the best. Jonel and Fing'rs also got several positive mentions from buyers.

Many buyers, however, have cut back on their space for artificial nails, and several chain buyers told us that they have dropped all their colored nail extenders. Many chains do continue to carry colored artificial nails and some buyers tell us that the lines they carry are selling, although they wouldn't call that category hot anymore.

Virtually all of our sources identify Revlon's extensive nail color line as their best-selling nail color, but many buyers said their strongest growth in color is coming from Cutex with Shine On and Perfect Color and from L'Oreal with Grow Strong.

Cover Girl's Nail Slicks and Luminescence, Cover Girl One Coat and the Maybelline nail color lines, especially Shine On, are also showing good growth.

The buyer for one of the industry's biggest chains also said that the Flame Glow Super Shine Nail was doing very well in his stores. He also said the Maybelline Shine Free nails are just "blowing out" of his stores.

In this chain, Press and Go artificial nails with color were selling well and Nailene was doing well in its niche, but Lee has cut back its advertising in many of this chain's markets and as a result sales have been dropping off, he said. Lee's sculptured nails, however, are still doing OK.

This is also one of the few chains to report that the Beauty Labs Overnight Miracle patch was not selling well.

In implements, both the Revlon and the La Cross lines are selling well, according to the buyers surveyed.

Nail color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	64.2%	15.1%	20.6%
1986	64.2	16.4	20.6
1987	63.1	16.9	20.0
1988	64.6	17.0	18.5
1989	64.4	17.0	18.6

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Makeup rises 20% bolstered by foundations, cheek colors

Foundations and cheek colors are really starting to perk up in sales. Some buyers reported as much as 20 percent growth in makeup sales, although the base sales in this segment are much less than they are for lip, nail and eye color products.

In makeup, early reports from chains that have L'Oreal's new Mattique Illuminating makeup are that the prepacks are selling very well. Many chains have already added it to their planograms.

L'Oreal's Visuelle, Maybelline's Shine Free, Cover Girl makeup and the Revlon New Complexion makeups are also singled out as very strong lines. Max Factor's pancake makeups are still doing a very good basic business, and their new Satin Splendor line was singled out by several buyers for selling well.

The Almay foundation products are still very strong, and chains that carry Physician's Formula say this line is selling particularly well, especially in the West and the Southwest where the line has its strongest distribution.

Several buyers added, however, that their color sales of Physician's Formula are not as strong as their foundation sales. Almay used to have the same problem, but many buyers say their new fixtures are now rectifying the problem. The foundation products from Physician's Formula also do so well because the company has been incredibly successful detailing their products to dermatologists.

Max Factor is bringing out a new Invisible Makeup that buyers say could be good. One source described it as a "small line that could hit a niche." Several buyers said they'll know better after their first ads break in the fall.

Some chains are giving Sun Smart, Factor's summer makeup with sun protection, a second chance. Sun Smart sort of got lost in the shuffle last year, but several buyers say they think the idea is good and deserves a second chance. Factor has made some changes in the line, and although not everyone we talked to planned to try it again, those who had reordered it were hoping Sun Smart would take off once the season is in full swing.

Among the smaller lines, Rubigo seems to be gaining increased distribution. Some buyers say they didn't have the space to have a limited assortment line, but one buyer said she had tested a countertop prepack of the Rubigo tube blushes and they sold extremely well "without advertising."

Face color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	60.5%	16.8%	22.6%
1986	59.3	18.1	22.6
1987	59.0	18.8	22.2
1988	69.6	19.2	21.2
1989	59.5	19.2	21.3

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Skin treatments up 20%, so chains rethink planograms for impulse sales

Skin treatments are selling better than ever, up 15 percent to 20 percent in some chains.

Many buyers told us that "everything" in treatments is selling well right now, from Clarion and Plenitude, two new lines, through Almay, the Revlon treatments and the mass brands, especially Olay and Neutrogena.

More buyers also report that their chains are trying to come up with better ways to merchandise treatments. Some buyers are thinking of merchandising franchised treatments in the same set with the color products in their line—all Clarion together and all Revlon together, for example.

Many chains that are merchandising treatments this way report sales are improving because it seems to be easier for customers to make related impulse sales.

Other chains wonder if they should create a generic set for skin treatments just as they did for nail treatments a few years ago. In some cases, chains are considering putting the mass lines in with the franchised lines instead of leaving them in the toiletry aisles.

However, even though a number of chains are testing or thinking of testing, nothing very conclusive has been decided yet.

Spokespersons for several major chains hope to have a new planogram for treatments by the spring of next year when re-sets begin.

One buyer for a chain with smaller-size stores, less than 8,000 square feet on average, argued against creating a segregated set for treatments.

He pointed out that of all the manufacturers, only Revlon, which has several different lines of franchised treatments, would benefit. Clarion, Almay and Factor all can be merchandised better side by side with their sister brands in color, he felt.

A few chains that have a family set approach are also planograming the new L'Oreal Plenitude treatment line on the L'Oreal cosmetic wall, but most chains are giving the line space in their mass H&BA skin care department as L'Oreal has requested.

Some buyers, however, still have reservations about putting Plenitude in mass. A source who had tested Plenitude in both locations said that although there wasn't any "significant difference" in sales performance, the line might be better positioned in the L'Oreal cosmetic set.

"It's not as simple a line as Olay," this source said, "and I think it would be easier to sell if it was in cosmetics, especially if there are cosmeticians in the store to answer questions."

Plenitude did well in test stores, however, and this source was hoping that L'Oreal is right about putting it in with mass skin care.

Clarion's new skin treatment launch is doing well.

Growth in face color* sales by retail segment

Retail segment	Retail sales (millions)	Percentage of change vs. 1988
Food	$113	10.8%
Drug	351	8.9
Mass merchandise	126	4.4

*Face color includes liquids, powders, concealers and miscellaneous

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

New face cosmetic products

Brand	Manufacturer	Quarter of launch	Comments
Max Factor Powder Bar	Max Factor	3rd '89	First "solid" loose powder. Formula has no binders as pressed powder does. SRP: $7.50.
Maybelline Satin Complexion Face Powder	Maybelline	3rd '89	New sheer coverage line of six shades. SRP: $4.00.
Revlon Air Blush	Revlon	2nd '89	All-in-one brush pen. Innovative delivery system. Six shades. SRP $7.95.
Max Factor Professional Makeup Remover	Max Factor	2nd '89	Two-in-one process. Removes makeup and cleanses.
Max Factor Invisible Makeup	Max Factor	2nd '89	First foundation without color. SPF 6. Oil free, moisturizing. SRP: $7.50.
Max Factor Rosewater Blush	Max Factor	2nd '89	A water-based liquid blush with a rose tint that adapts to all skin tones. SRP: $6.50.
Max Factor Sun Smart	Max Factor	2nd '89	Summer make-up collection with an SPF 6 formula. A sheer make-up in three shades; sheer blush in two shades; and sheer eyeshadow in four shades.
Cover Girl Oil Control Truly Fresh Blush	Noxell	1st '89	Each compact holds blush and highlighter. Five shades.
Cover Girl Soft Radiants Sheer Color Blush	Noxell	1st '89	Each compact holds blush and highlighter. Six shades.
Mattique Illuminating Matte Makeup	L'Oréal	1st '89	Shine resistent, fragrance free, allergy tested. Targeted to fill premium spot in oil-free market.
Sleek Cheeks Powder Blush	Maybelline	1st '89	A new slim compact blush. Eight shades. SRP: $3.35.
New Complexion Loose Powder	Revlon	1st '89	Leaves no chalky residue or powdery after-feel. Leaves skin refreshed & silky.
Line Concealer with Luminex	Revlon	1st '89	"The first therapeutic camouflage cosmetic." Fills, covers and treats the skin. Revlon's third New Age Therapy product, the companion to Lash Repair and Calcium Gel Nail Builder.
Almay Powder Finish Cream Blush	Almay	1st '89	Applies like a cream, but dries like a powder. Six shades.
Flame Glow Powder 'N Brush Blusher Pencils.	Del Labs	4th '88	Line extensions.

Source: *Drug Store News* survey

Foundations and cheek colors sales have been up. The products do especially well when they are merchandised attractively on endcaps, as in Wellby's Falmouth, Maine store.

Women who buy cosmetics in drug stores like to have a broad variety of product to choose from. Product assortment and popular brand names are important in their choice of where to shop.

L 4oz
$4
L'OREAL

Some buyers think that teenage girls are trading up from budget cosmetic purchases to the "better" name brands such as L'Oréal and Revlon. More of the major manufacturers are also advertising in teen magazines and some retailers are about to do the same.

New lip cosmetic products

Brand	Manufacturer	Quarter of launch	Comments
Max Factor X-Rated Lip Gloss	Max Factor	3rd '89	First crystal-clear lip gloss with a brush applicator.
Sheer 'n Sweet Glosstick	Coty	2nd '89	Sheer color in bubblegum flavors. Eight flavors, $3.95.
Cover Girl Lipsticks/Lipgloss	Noxell	2nd '89	New line of sheer, colorful lipsticks that also provide a super-glossy shine. Five shades, plus a pure gloss.
Almay Lipsticks	Almay	1st '89	Relaunch with new longer lasting formula with extra moisturizing ingredients. 36 shades. Multi-million-dollar print campaign.
Revlon Powder-On Lip Color	Revlon	1st '89	Technological advancement. Matte-like results are unique to a powder-on formula. Eight shades.
Wet 'n Wild IntraColor	Pavion	1st '89	A treatment lipstick: Twelve shades, plus Vitamins E, A, and an extract that treats dry and damaged lips. SRP is $1.99.
Shine Free ColorSoft For Lips	Maybelline	1st '89	New mini-sized line with colors matched to new Shine Free ColorTough Nails shades. SRP: $5.50
Maybelline Long Wearing Lipsticks	Maybelline	1st '89	New formula and new package.
Flame Glow Lush Lips Lip Polish	Del Labs	1st '89	New Packing for roll-on gloss. Improved formula. six flavors.
Flame Glow Sheer Shine Lip Gloss Gel	Del Labs	4th '88	Formula contains sunscreen and Vitamin E. Does not have the "heavy" feel of a gloss. Six shades.
"My Lips Are Sealed"	Cosmetically Sealed Industries	4th '88	New lipstick sealer.
Wet n' Wild Gel-Mania	Pavion Ltd.	4th '88	Lip gloss with conditioners.
Wet n' Wild Crystal Clear Lip Gloss	Pavion	4th '88	First totally transparent lip gloss, contains a sunscreen and Vitamin E.
Precision Lip Liner	Maybelline	4th '88	Thin-line color that glides on from an automatic pencil dispenser.

Source: Drug Store News Survey

New fixturing, 'mood' items help chains achieve lip color success

Most buyers are reporting that their lip color sales are down a little this year. However, Revlon seems to have scored a success with its new Lip Therapy. Buyers say the initial response to Lip Therapy is very strong, but they point out that while the ticket is good and consumer acceptance is positive, turns are slower than they would be for a fashion product because treatment products are not high-consumption items.

Some chains that have put in the new Almay fixtures for lip and nail also report that these lines now "are just flying out the door."

"With the new displays, the color just pops right out at you," said one source. "It's doing very well now."

Revlon's Powder on Lip Color had only been in most stores a short while when we talked to buyers at press time. Initial reports from some chains were that turns were starting slow, but that they could get better as customers became more familiar with the line. One buyer for a major regional chain with a very strong cosmetics program reported that the Powder On Lip Color sales were "very strong" in his stores.

Turns are slower than they would be for a fashion product because treatments are not high-consumption items.

Some buyers are also telling us that "mood lipsticks" are coming back. These are lipsticks that change color as the wearer's mood changes, or as their body temperature changes.

Chains that have done promotions with Cosmagique's mood lipsticks report they did very well. One chain planning a Wet 'n Wild promotion on mood lipsticks also said they expect it will do well also.

Several buyers also said the Revlon Fashion Tip lip and eye pencils are selling well, and so are the Flame Glow defining pencils.

Pegged cosmetics

In pegged cosmetics, Cover Girl and Maybelline are both strong. However, most buyers say that Maybelline has been more innovative lately, possibly because Noxell is concentrating most of its energy on establishing Clarion, which is now doing very well in all the chains we surveyed.

Some of our sources also told us that for the first time they're noticing that Maybelline is growing faster in sales than Cover Girl. This was not the case in all chains, however, and buyers stressed that both lines were still doing very well for them.

A number of buyers said they were particularly looking forward to the new Maybelline mascaras and sheer pressed powders coming out in late summer. The overall feeling was that they will do well.

Budget lines

This year reports on the budget lines are that they're OK, but not showing dramatic growth. Wet n' Wild seems to be showing the most growth right now, according to buyers.

But many buyers also report that they think their traditional budget customer is starting to trade up to Revlon, L'Oréal, Maybelline and Cover Girl.

Lip color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	67.4%	15.0%	17.7%
1986	66.7	15.6	17.7
1987	66.6	16.1	17.3
1988	66.1	16.6	17.3
1989	66.0	16.6	17.3

Source: Nielsen Marketing Research for the 12-month period ended 5/31/89

Growth in lip color* sales by retail segment

Retail segment	Retail sales (millions)	Percentage of change vs. 1988
Food	$ 64	11.2%
Drug	253	7.8
Mass merchandise	67	8.1

*Lip color includes pencils, glosses, lipsticks and outliners.

Source: Nielsen Marketing Research for the 12-month period ended 5/31/89

Advertising and service boost growth in fragrances

Despite another surge of product launches, fragrance sales in most chain drug stores were relatively flat at midyear.

Fragrance buyers say that while overall sales may be flat, growth is coming from seasonal promotions, department store designer brands, and select mass brands that are generally growing at the expense of weaker brands.

A handful of chains are bucking the flat-line trend. These are primarily the stronger regional companies as well as those with strong service programs. Most of our sources who report strong sales, say their fragrance dollars are up between 5 percent and 10 percent.

One major regional northwestern chain reports year-to-date growth of between 10 percent to 15 percent, which it attributes to a more aggressive advertising and merchandising program as well as the conscientiousness of a particularly good cosmetic merchandiser. It is the merchandiser's responsibilty to oversee the cosmeticians in this chain and to make sure that the cosmetics presentations are strong and in line with corporate guidelines.

The fragrance buyer for this chain is convinced that their growth "is really due to us and our efforts with this department. My merchandiser is doing the right things at the right time," she said.

"We're making sure we're the first on the list when something new comes out. We're advertising fragrances more. We're picking four fragrances each month and discounting them, and we're displaying them better at store level. We're doing display contests and we're decorating our stores more."

Customer service

Another buyer, whose sales were up close to 10 percent, said he was sure that at least some of the growth was due to the efforts of service cosmeticians.

"Service is an issue in this industry right now," he said, "but I definitely think it helps sales when you have someone present to help the customer." The fragrance buyer for a chain in the industry's top five reported that while certain brands were doing well and some new launches were off to a good start, overall there was no growth in the category. "People are basically just trading off sales, switching from one brand to another," he said.

Some buyers with flat sales were starting to wonder if perhaps they weren't doing enough to merchandise the category effectively.

"I was at a conference recently," said one buyer, "and I heard another drug chain fragrance buyer say that he thought of the fragrances in his stores as soldiers lined up to march off the shelf, only they weren't marching.

"It made me wonder if we were falling into the trap of waiting for someone else to perk up the category for us. If we wait for someone else, it might not happen. We have to be sure we're doing everything in our power, with ads, displays and prices to make this category grow."

Many buyers said they were noticing that growth was also often a function of how well their cosmetic merchandisers were performing.

The chain reporting the strongest growth has less than 50 stores and only one merchandiser, but the buyer described her as "excellent" and said that when she managed the cosmetic department for one store, "that store always registered the best increases each year in cosmetics."

This buyer also relied on the cosmetic merchandiser to spot brands that were slowing down. "Recently Aviance Night Musk started to slow down a bit," the buyer said. "My cosmetic merchandiser noticed the slow down and picked Night Musk as one of our fragrances of the month. We discounted it, displayed it, made a fuss over it, and that helped sales."

Because many women buy fragrances impulsively, it helps to merchandise off shelf. Island counters are very successful in generating add-on impulse sales, buyers say.

Growth in mass market fragrance sales

(Retail sales in millions)

Retail segment	Dollar sales	% change vs. last year
Food	$ 108	14.5%
Drug	1,012	4.1
Mass merchandise	219	4.5
All mass market stores	1,339	4.9

Source: Nielsen Marketing Research for the twelve months ended 5/31/89

Drug stores' share of all mass fragrance retail sales

Retail segment	% share of sales
Drug	75.6%
Food	8.1
Mass merchandise	16.3

Source: Nielsen Marketing Research for the twelve months ended 5/31/89

Women's mass fragrances: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	85.5%	n.a.	14.5%
1986	86.0	n.a.	14.0
1987	87.6	n.a.	12.4
1988	88.5	n.a.	11.5
1989	88.6	n.a.	11.4

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Food, mass merchandisers no threat to drug store's fragrance sales shares

The latest Nielsen Marketing audits for the 12 months ended May 31 confirm that chain drug store fragrance buyers are right on target when they perceive that total fragrance sales are relatively flat.

According to Nielsen, fragrance sales in drug stores were up a modest 4 percent in dollars this year to $1 billion.

Mass merchandise or discount stores also had a relatively flat year, with dollar sales only increasing 4.5 percent to $219 million, according to Nielsen.

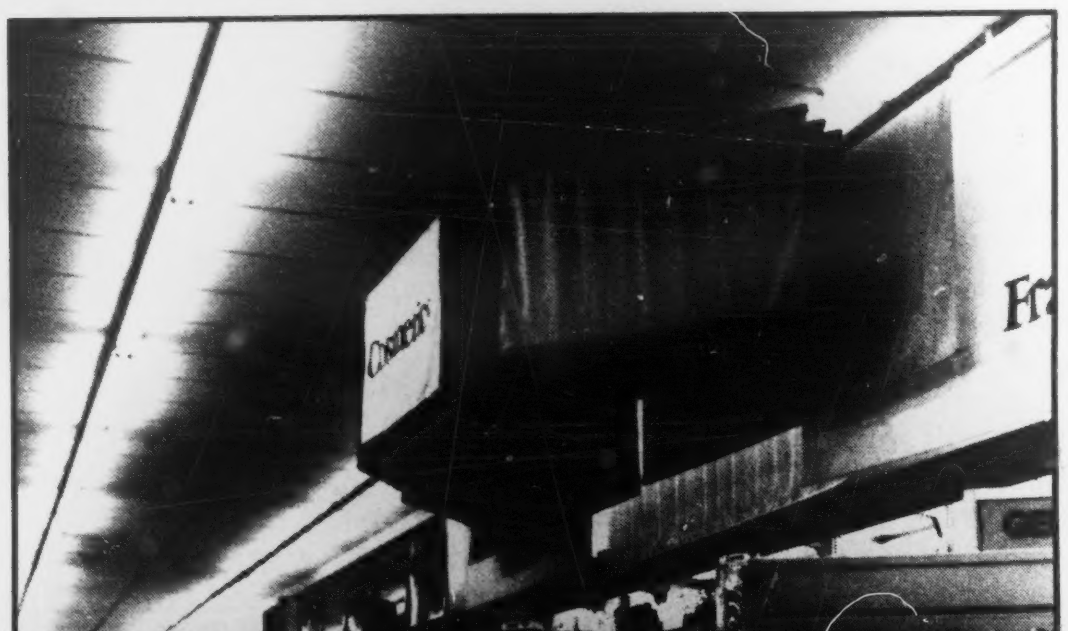
Food stores did much better with the category this year, and many of the buyers *Drug Store News* talked to felt it was primarily because of the success of combination stores.

Some good news

The good news from Nielsen is that drug stores aren't losing share to the food and mass merchandise chains.

In the women's category, drug stores remain dominant. In the past five years, drug stores' share of all mass women's fragrance sales has gone up three points to nearly 89 percent against mass merchandise chains.

In men's fragrances during the same period, the drug store industry share has gone up two points to 60 percent, while food chains have only gained one share point to 17 percent. Mass merchandise chains, for the same period, have dropped nearly four points to just under 22 percent.



When fragrances are lined up like "soldiers" on a wall, buyers say the brands need something eye-catching to make them stand out. Buyers think Ex Cla Ma Tion! succeeded so well because the package popped off the shelf.

New fragrance product launches

Brand	Manufacturer	Quarter of launch	Comments
Aspen	Quintessence	3rd '89	Six-SKU men's line. SRP: $10 to $21. Positioned as rugged, fresh and outdoorsy.
Only by Julio Iglesias	Colonia Inc. Dist	3rd '89	Ten-SKU line aimed at upscale market. SRP: $16 to $100.
Electric Youth	Revlon	3rd '89	Debbie Gibson signature fragrance aimed at teens.
Misha	Richard Barry	3rd '89	Prestige line for select department store locations. Bears nickname of dancer Mikhail Baryshnikov.
Red Door	Elizabeth Arden	3rd '89	Prestige scent for select department stores.
Jaclyn Smith's California	Max Factor	2nd '89	Signature fragrance launching first at Bloomingdale's in the spring. Nine SKUs. SRPs: $12 to $60.
Wild	MEM Co.	2nd '89	Four-SKU line aimed at 16 to 24 year olds. SRP: $7.95
Night Rhythms by Impulse	Price Matchabelli	2nd '89	First nighttime cologne for teens.
Love's Baby Soft	MEM Co.	2nd '89	Multi-million dollar relaunch.
Major new men's brand	Prince Matchabelli	2nd '89	
Almay Fragrance	Almay	2nd '89	Line extension: Purse size cologne spray.
Le Jardin Fleur de Rose	Max Factor	2nd '89	Line extension: eau de cologne.
Rebel	AllerCare/NSL	2nd '89	New three-SKU line of men's grooming aids including a cologne. Named in honor of actor James Dean.
Friday	Bonne Bell	2nd '89	New teen fragrance positioned as representing freedom, excitement, romance.
Parfum BIC	BIC Corp.	1st '89	New line of high-quality French perfumes at affordable prices. Two men's and two women's scents. SRP: $5 per ¼-ounce bottle.
Deborah ScentSationals **Everlasting (Eternity)** **Wisdom (Knowing)** **Miz (Liz Claiborne)** **Untamed (Uninhibited)** **For Your (Lou-Lou)** **Gypsy Rose (Giorgio Red)** **Secret Potion (Passion)**	Deborah Int.	1st '89	Line extensions: seven new alternative designer fragrances.
English Leather Musk	MEM Co.	1st '89	New packaging.
Classic Form	MEM Co.	1st '89	New men's fragrance.
Dare	Quintessence, Inc.	1st '89	A romantic scent that can "make fantasies come true." Launched in January at JC Penney's. Hit mass in April. Support includes TV, print, sampling.
Red	Parfums Giorgio	1st '89	Limited distribution fragrance using new technology to match the fragrance of "living flowers at their fragrance peak."
Adidas	Quintessence	4th '88	Relaunch with $4 million print/TV campaign.
Ali	Crystal Fragrances	4th '88	Named after Muhammad Ali. In test in the Midwest.
Jordache Fragrance For Women	JC&F, Inc.	4th '88	New package: Gold-on-gold stripe with an embossed monogram. The fragrance comes in a French flaçon.
Trouble	Revlon	4th '88	Aimed at women 20-40. First internally developed scent since Jontue in 1975. Seven SKUs. Priced $10 to $80.
The Alternatives	Westport Labs	4th '88	Four new ADF scents based on Knowing, LouLou and Eternity.

Source: *Drug Store News* survey

Most of our sources also say that Mother's Day fragrance sales were very good, and most buyers are optimistic that Father's Day will also give the category a boost.

New launches help give life to fragrance category

Fragrance manufacturers have stepped up the pace of new product launches this year, and that is helping to boost sales in the category.

Last year, there were about nine major launches of mass market fragrances. So far this year about 10 new launches have been announced and there are probably more to come.

Some of the newest lines are off to a very good start and sources for both the major chains and small to mid-sized regionals are expressing cautious optimism about launches that are just shipping now or that will ship a little later this year.

Most of our sources also say that Mother's Day fragrance sales were very good, and most buyers are optimistic that Father's Day will also give the category a boost.

Dare

Dare is probably one of the first fragrances of the year to reach drug stores and early reports from throughout the country are that its acceptance is very good.

In JCPenney, where Dare was given an exclusive launch last January, sources reported it did well, actually selling out in some stores and hoarded in others.

Cosmetic clerks at Walgreens, which got the brand in late March, reported excellent sales, and buyers for both regional and major chains with stores in multiple markets said it is doing very well.

"Dare started moving from the second we put it out and it's held," said the buyer for one of the industry's top five chains, "Quintessence is continuing media support for it beyond Mother's Day, and that, I think is the way to go. It's what this category needs."

Max Factor and Jaclyn Smith's California

Many buyers we talked to also reported that Factor's Le Jardin line was selling well, and especially its latest line extension, Fleur de Rose.

And every one of our sources was very positive about Factor's newest scent, Jacyln Smith's California.

California had what sources said was an "excellent" launch in Bloomingdale's earlier this year, and it was shipping to the mass market as we went to press. Several buyers said California and Dare could be the two strongest women's launches of the year in mass.

"I'm very positive about Jacyln Smith," said one buyer, "If they do what they say in advertising and distribution, it could be very strong."

One buyer described the bottle and the packaging as "excellent" and said that Jaclyn Smith's name on the brand was an undeniable asset.

Ex Cla Ma Tion!

Last year's strongest launch in women's mass fragrances, Ex Cla Ma Tion!, is holding up very well. Its movement isn't as strong as it was at Christmas, but buyers say it is still selling very well and they know now that women are coming back and rebuying it.

Ex Cla Ma Tion! was also featured in just about everyone's ads for Mother's Day, and according to all our sources, sold through very well.

Parfum Bic

So far, early reports on the launch of the BIC portable perfumes are not promising. Buyers who have the line say sales have been slow. Some say they are close to talking to the BIC Corp about returns, while others say they are going to wait it out to see if the changes BIC is making in its blister pack and testers will help the line.

Some of the buyers we talked to had not taken the line because they said they were skeptical about its chances for success.

"BIC was trying to sell it as a commodity," said one source, "but that's not how you sell fragrances."

However, several buyers say they liked the scent and BIC's advertising for the line. They thought the idea was at least original and they were going to wait it out "as long as possible" to see if BIC could pull off a turnaround.

Charlie Oriental

The original Charlie scent is selling much better since its relaunch last year and the new Charlie Oriental scent is doing exceptionally well in many chains. However, there were a few buyers who described Charlie Oriental as "about fair."

Trouble and Almay

Trouble has fared a little less positively. Most buyers say sales are okay, but not out of the ordinary, and some sources said it was selling through slowly.

Almay also has not set the world on fire, with many sources saying sales of the Almay fragrance are slow. But several chains also told us that the Almay fragrance does seem to have a niche and two buyers said they were getting fairly good sales with the brand and both felt it was "holding its own."

Established favorites

The old perennials are doing well. Lady Stetson, however, seems to be the strongest of the established brands and in some chains, Vanderbilt is growing at a rate slower than in the past. Glorious, in many chains, is very slow, but there were some buyers who said it was improving and turning into a "good, stable everyday brand."

Sand & Sable was named by several sources as a "sleeper brand," doing well in many stores and especially hot in the Southeastern market.

Wind Song, which was relaunched earlier this year, is doing well in a number of chains and many buyers say they are setting much stronger increases for MEM's Love's Baby Soft which was also recently repackaged and relaunched.

"It was a nice kind of surprise for us," said one buyer about Love's. "We took a chance and it's doing well."

Chains focusing on marketing fragrances to teens

This year, many chain drug stores are starting to take a serious look at the teen market, targeting teens as a key "secondary market."

Two of the industry's biggest chains are getting ready to break their first ads targeted specifically at teens. One chain is breaking its first teen ad in a summer issue of *Seventeen* magazine. The ad will include store coupons discounting selected cosmetics, fragrances and toiletries. Among the brands featured will be many marketed directly to teens such as Night Rhythms, Natural Wonder, Electric Youth, and Maybelline Shine Free.

The other chain has also created its first print ad for teens, and their ads are timed to break for back-to-school. Two of the new teen fragrances, Electric Youth and Friday, will be featured in that ad.

Another large chain is creating a teen center that combines popular musk brands with popular teen fragrances like Night Rhythms, Electric Youth and Verve.

This year too, there are a slew of new launches aimed at the teen fragrance user. Revlon, of course, is launching Electric Youth, the Debbie Gibson signature fragrance. Matchabelli, which launched one of the first teen fragrances, Tres L.A. Impulse cologne, is bringing out Night Rhythms. Bonne Bell has Friday out, and MEM is launching Wild and relaunching Love's Baby Soft.

However, although all the buyers we talked to were eager to court the teen shopper, some were also worried about the "fickleness" of this market.

Everyone we talked to said they were taking Electric Youth, and everyone said they loved the scent, the packaging and the concept, but some buyers said they were ordering cautiously because they feared teens might be tired of Debbie Gibson by the time the scent hits their stores or soon after.

Electric Youth

One source said Electric Youth looks "terrific," with vivid packaging, but he said he can't be sure how it will succeed overall.

"It will get a lot of attention," he says, "but sales will depend on a number of unpredictable variables. Will Debbie Gibson continue to be popular after it's launched? Will teens buy it again after they make that first purchase? That market is so faddish that you never know what to expect from day to day."

The chains who were talking of "courting" the teen shopper, however, were confident about Electric Youth. One source said the concept seems to be "well thought out" and "well supported by Revlon. And with Debbie Gibson," she added, "they've got something very strong."

Wild and Friday

Some of the buyers we talked to, however, were more cautious about teen scents coming from companies that lacked the marketing clout of Revlon or Matchabelli. The reaction to MEM's new teen line, Wild, and Bonne Bell's teen fragrance, Friday, was mixed.

A few chains surveyed had taken one or the other but not both, and several chains said they turned down both and decided to concentrate their merchandising on Electric Youth and Night Rhythms.

"We said no to Wild," said one buyer. "We want that market, but it's just too risky. It's funny; we do a good job with the younger girls with Tinkerbell, but we fall between the cracks for the girls 14 to 19. I'd like to do more to attract them, but it's too much of a gamble."

A buyer who passed on Friday said he just didn't feel teens would be that interested in a mass fragrance designed specifically for them.

"They have so much expendable capital, it's unbelievable," he reported, "But what you see them buying the most of are the designer fragrances that their mothers wear: Giorgio, Obsession, Passion, etc."

A source for a large chain that bought Friday, however, said she felt it will do well. "Bonne Bell has a great deal of appeal to the young market," she said, "and I think their fragrance will catch on."

One buyer who has had Friday in his stores for a few months says it is selling well for him, and he called it a "good addition" to his staple, everyday mix.

One source who took Wild but not Friday said she made that choice because she thinks MEM really knows the teen market. She says Loves Baby Soft and Heaven Scent are doing well, so she added Wild to the mix too.

Tres L.A. and Night Rhythm

Tres L.A. was one of the first colognes marketed exclusively to teens, and the buyers we talked to say it has had a mixed reception.

Tres L.A. is positioned as a daytime fragrance. Now Matchabelli is launching a companion cologne for nighttime use, Night Rhythms, and the reaction to this launch is very positive.

Most of the buyers surveyed said they believe that Night Rhythms will do very well.

In stores where Night Rhythms was already in stock, buyers reported they were getting good trial sales.

New launches and old favorites anchor men's fragrance sales

A combination of new product launches and established winners is driving the men's fragrance category, according to sources.

Stetson and Chaps

Stetson was still the strongest brand in men's. Chaps was still the number two brand in most stores, but some buyers say sales are a little slower this year than last. Jovan Musk for Men is selling very well, as is Jovan Musk for Women. Brut was said to be slow, but Brut 33 was generally described as doing OK.

Old Spice, most sources agreed, was definitely still the "number one" toiletry fragrance brand.

Although most sources said that Jovan Musk is selling very well in men's, many buyers added that the Chaps Musk is very soft. The Adidas line got several good reports from some of the bigger chains which basically just stock the Adidas cologne and after shave lotions.

One buyer said Adidas has found a niche among certain consumers and that while it's not as hot an item as Hero or Stetson, it does a good, consistent everyday business.

New launches

Hero was still the strongest of the new product launches as *Drug Stores News* was going to press. Many chains were going along with Matchabelli and promoting Hero heavily at Father's Day.

Several buyers said they were hoping the strategy would help them create more usage for the brand and for men's fragrances in general. "It would be great if we could break the dependency on Christmas," said one source. "Right now, that season either makes or breaks our year for fragrances."

Among other recent launches, most buyers said that Iron and Santa Fe and Night Spice were doing OK; a few said they were doing better than average or responding well to ad exposure. Almost everyone agreed that Dallas and McGregor were both very slow, and some buyers described their movement as "dead."

That Man and Aspen

At least two new launches are coming out later this year in men's: Revlon's That Man and Quintessence's Aspen.

Aspen was just being shown as we went to press, but buyers said the positioning of the brand sounded good.

Just about everyone we talked to liked the fragrance, liked the packaging and also felt comfortable that Quintessence, which apparently did all the right things for Dare, will support its new men's fragrance just as strongly.

Most buyers also felt That Man could do well because it is from Revlon, but many sources were worried that the bulk of the advertising is slotted for print rather than television.

"Coty's had tremendous success with the men's market and all of their advertising has been on TV, so this might be a mistake," said the buyer for one of the industry's biggest chains.

"It's definitely a mistake," said another buyer. "Just look at Hero and Santa Fe. They were heavily advertised on TV and it worked."

Growth in mass market men's fragrance* sales

(Retail sales in millions)

Retail segment	Dollar sales	% change vs. last year
Drug	$380	8.1%
Food	108	14.5
Mass merchandise	137	12.5
All mass market stores	$626	10.1

*after shaves and colognes

Source: Nielsen Marketing Research for the twelve months ended 5/31/89

Men's mass fragrances: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	58.4%	16.3%	25.3%
1986	61.0	16.5	22.5
1987	62.3	16.7	21.0
1988	62.3	17.5	20.2
1989	60.8	17.3	21.9

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Men's Fragrances

Men's fragrances sell better when displayed in their own highly-identifiable boutique area rather than shelf space in a cosmetics department. Men are comfortable buying in Gent's Shop at Taylor.

Chains vying for bigger shares of fragrance sales

The fragrance category is always a challenge for drug store operators. To realize its great potential, merchants must lure upscale fragrance consumers from department stores, where most fragrance purchases are made.

Competition for fragrance sales is heating up, with many sellers vying for this lucrative trade. Among them: department stores, specialty cosmetics chains, drug stores, supermarkets, mass merchandise chains, deep discounters, and non-retailers, including mail order, door-to-door sales forces and TV shopping channels.

Moreover, many buyers are concerned that fragrance consumption may be flat. Women don't seem to be using fragrances any more now than several years ago, and the number of women who use fragrances may not be growing.

Drug Store News believes that attracting these consumers, and playing to their motivations, will unleash the potential of the fragrance business. What does the average woman think about drug stores as a place to buy fragrances? Is she using these products more often, less often, or about the same?

When she does buy a fragrance, what motivates the sale? Price? A display? An ad? The brand's image?

And would she shop drug stores for fragrances more often if they carried more department brands, or if they gave her more service or a better selection? In mass brands, what are the best sellers? Do more women prefer Vanderbilt or Charlie? And does anybody even think anymore of naming an alternative designer fragrance as a favorite brand?

Since we felt buyers could better merchandise fragrances knowing answers to these questions and many others, we commissioned the Gal-

Continued on page 54

Upfront presentation in a service boutique adds to exposure, convenience and impulse sales of fragrances at Peoples Drug Stores in Alexandria, Va.

Gallup survey highlights

- Nearly half of all women who use a fragrance prefer a department store brand to a mass brand; less than one in 10 fragrance users say their favorite brand is a door-to-door brand like Avon.
- More than half of all fragrance users say they shop department stores "most often" for a fragrance. Just two out of 10 fragrance users say they shop some type of drug store "most often" when buying fragrances.
- Women shop a store "most often" because it's convenient and stocks the brands they want—including department store, prestige and popular mass brands.
- Women who say they don't shop drug stores for fragrances say it's primarily because they don't stock the brands they prefer. For one woman in 10 price is also a factor. Some women think drug store fragrance prices are too high.
- When buying a fragrance for a man, 20 percent of all women will choose a department store brand. When women shop for a mass brand, however, one in 10 will pick Old Spice. Brut, Stetson, English Leather, Mennen and Jovan Musk are also popular.
- Today, fragrances are used by 92 percent of all women, with 24 percent of all users saying they apply fragrances "more often" today than several years ago.
- In mass, the most popular brands are Charlie, Jovan Musk, Chloe, and Vanderbilt.
- The majority of women have kept their favorite brand for more than two years.
- On average, a woman today spends $24.42 on a typical fragrance purchase.
- More than six out of 10 women say they use mascaras, nail polishes and eye shadows.
- Half of all women use eye creams or anti-aging lotions, and more than a third use nail treatment products.
- Two out of every 10 women say they are using mascara more often today than several years ago.
- The most popular mascara brands are Maybelline and Cover Girl.
- Twenty-two percent of all women are using eye shadows more often today than several years ago.
- The most popular eye shadow brands are Maybelline, Cover Girl and Revlon.
- More women buy mascaras and eye shadows in drug stores than any other type of outlet, including department stores.
- Convenience and reasonable prices are what attracts the drug store shopper to mascaras and shadows.
- Not carrying the right brands and pricing too high are what causes drug stores to lose more mascara and shadow purchases.
- Six out of every 10 women plan their mascara and eye shadow purchases. Three out of every 10 women admit they buy on impulse.
- Two out of every 10 women who use eye creams and anti-aging lotions say they are using them "more often" today than several years ago.
- Door-to-door brands like Avon, department store brands such as Estee Lauder, and Oil of Olay are chosen by more women as their "favorites."
- Almost as many women today shop drug stores for eye cream and anti-aging products as shop department stores. A proliferation of new products for mass and increased visibility in mass stores are making the difference.
- Seventeen percent of all women who use nail polish say they are using it "more often" today than several years ago.
- Thirteen percent of all women who use nail treatments are using them more often today.
- Sally Hansen and Revlon are the most popular polishes with treatment ingredients.
- Revlon is the most popular fashion nail polish.
- Revlon and Sally Hansen are the most popular nail treatment brands.

Percentage of women who use fragrances

Using	All women respondents	18-24	25-34	35-49	50-plus
Fragrances	92.1%	97.5%	96.7%	92.3%	87.5%

Source: The Gallup Organization for *Drug Store News*

Comparing the average fragrance expenditure

(1987 versus 1989)

	All women	18-24	25-34	35-49	50-plus
1987 mean	$20.41	$20.39	$17.12	$20.76	$22.02
1989 mean	24.42	29.30	25.37	23.40	21.66

Source: The Gallup Organization for *Drug Store News*

Why consumers shop drug stores for fragrances

(Percentage of respondents who buy fragrances in drug stores)

Reasons	All women respondents	18-34	35-49	50-plus
Convenience	35.8%	32.7%	30.5%	44.4%
Reasonable prices	34.7	39.4	44.5	18.3
Discounts off department store brands are available	9.9	3.8	12.9	13.6
Variety/selection	9.6	16.3	5.4	7.5
Service assistance	2.4	0.9	—	5.7
Carry the "better" brands	1.5	1.9	—	2.7
Give gifts with purchases	0.7	—	—	1.9

Source: The Gallup Organization for *Drug Store News*

The how and why behind impulse and planned purchases

Half of all women who make a fragrance purchase do it on impulse. The rest plan to make a specific purchase.

Those most likely to make impulse buys are: young women between the ages of 18 and 24; women in households with annual incomes of less than $15,000; women living in the East; and non-white women.

Those most likely to plan purchases are: Midwestern women; women in households with annual income in excess of $25,000; and women aged 25 to 49.

Giving a woman a product sample is the best way to induce impulse purchases, although two women in 10 also buy on impulse because they see a fragrance in the store and remember the ad for it. If the ad made the fragrance sound attractive, they're willing to try it, Gallup findings showed. In the store, reasonable prices, attractive displays and recommendations from sales clerks can also help motivate an impulse sale.

In terms of consumer behavior, fewer women make planned purchases in drug stores than in department stores, and more women buy impulsively in drug stores then in department stores. This seems to have less to do with better merchandising in drug stores, however, than it has to do with image. More women simply think of department stores as the best place to buy fragrances, so they plan to make a purchase there.

Gallup findings show that drug stores have a much less positive image when it comes to fragrances. Only one in 10 women say they most often shop drug stores for fragrances. Five out of every 10 women, on the other hand, say they do shop department stores for fragrances.

> *. . . more women buy impulsively in drug stores than in department stores.*

Again, the implication for drug store retailers is clear. To get women shoppers to buy more fragrances in drug stores, this trade class must develop a better image for fragrance departments. To do this, buyers must broaden selections to include more department store, prestige brands. Drug stores also must advertise these brands more, so consumers will think to shop them for fragrances. Perhaps most important, ads must run all year long, not just during gift-giving seasons such as Christmas or Mother's Day.

The way to get the fragrance consumer into the drug store, Gallup findings suggest, is to lure her there with an everyday, reasonably priced assortment of the most popular mass and department store brands.

Ratio of impulse to planned purchases for fragrances

(1989 breakout by age segment)

What motivated first purchase	All women respondents	18-24	25-34	35-49	50-plus
Planned	46.2%	35.6%	50.1%	52.3%	42.9%
Impulse	45.6	61.3	45.4	41.1	42.2
Don't know	8.2	3.1	4.5	6.6	14.9

Source: The Gallup Organization for *Drug Store News*

Changes in how often women use fragrances

(Among women who are current users of perfume/cologne)

	More often		Less often		The same		Never	
Users	1987	1989	1987	1989	1987	1989	1987	1989
All women	24.8%	24.0%	15.0%	16.1%	49.8%	51.8%	10.2%	7.9%
18-24	43.5	48.2	9.0	11.7	43.7	37.6	2.8	2.5
25-34	30.5	29.2	16.3	16.9	44.6	50.0	8.6	3.3
35-49	23.7	23.7	16.3	9.5	53.5	59.2	6.5	7.7
50 +	17.2	12.9	15.6	22.1	51.1	52.4	16.2	12.5

Source: The Gallup Organization for *Drug Store News*

What motivates the impulse sale

Factors affecting impulse purchase	% of total respondents who made an impulse purchase
Tried a sample	35.0%
Saw it and remembered an ad that sounded good	19.4
Reasonable price	13.3
Display caught my eye	8.7
Salesperson recommended it	3.7
Packaging	2.9
The store advertised this brand	0.8
Don't know/other	17.2

Source: The Gallup Organization for *Drug Store News*

Competition increasing among drug chains to snare bigger share of fragrance market

Continued from page 53

lup Organization to conduct another exclusive survey of the American women's buying habits. This is *Drug Store News'* third annual survey with Gallup and the second to focus on fragrances and color cosmetics. Last year, we focused on hair, skin and nail treatments.

This year, we can make some comparisons to how women responded in 1987, when we did our first Gallup study on fragrances and cosmetics, and how they are responding today.

In fragrances, for example, we see a slight trend toward a broader market for fragrances. More women are using fragrances this year then were using them in 1987, and some women also appear to be using them more often.

Buyers say this may be because the fragrance industry has launched a number of exciting new brands in the past two years, both in department stores, with brands like Passion and Uninhibited, and in mass, with such brands as Trouble, Ex Cla Ma Tion! and Xia Xiang.

In this year's survey, 41 percent of the respondents named a mass market brand as their favorite fragrance, while 44 percent picked a department store brand; the rest said door-to-door or had no preference.

Brand loyalty

Women also seem to be fairly loyal to their favorite brands. Three out of four respondents said the brand they named has been their favorite for more than a year, with half saying it had been their favorite for more than two or three years.

So when women like a brand, it is clearly not easy to get them to substitute. Retailers and manufacturers should then think about advertising fragrances more as accessories, splashes of allure that complement different outfits, different moods and different occasions.

If retailers were to build endcaps that featured fragrances for daytime and nighttime wear, casual or dressy outings, they might be able to help manufacturers convince fragrance users to build a "wardrobe" of scents rather then relying on just one brand for every occasion.

Meantime, retailers also should try to stock as many designer brands as possible because, as Gallup discovered, 44 percent of all perfume and cologne users do name a department store brand as their favorite.

And drug store retailers should make a point of featuring and displaying the most popular mass brands which Gallup has also identified for us in this study.

Gallup also asked women who said they never bought fragrances in drug stores why they never shopped there. Then Gallup asked what drug store shoppers liked about their favorite stores' fragrance departments.

Also, since 18-year-old shoppers have different needs and wants from women 25 to 35 or those over 50 years of age, our report breaks out responses by age.

We hope the report is both useful and enjoyable.

DISCOUNT
DESIGNER
FRAGRANCES

Having a register at the cosmetic counter always helps sales. Women prefer the convenience of making quick in-and-out purchases.

Age shows impact on fragrance brand preferences

Very young women and women in their peak achievement years, 35 to 49, usually report their favorite fragrance is a department store brand. Conversely, more women aged 25 to 34 and over 50 say they prefer a mass market fragrance.

As one might expect, women who live in households with incomes in excess of $35,000 a year (56 percent) also tend to favor department store brands over mass brands as do women who live in three-person households (54 percent).

Among women who prefer mass market brands, Gallup findings show that the runaway favorite brand is Charlie, chosen by nearly 4 percent of all fragrance users and 9 percent of all mass brand users. Jovan Musk was chosen by 6 percent of all mass brand users as their favorite, and Chloe and Vanderbilt were picked by 5 percent of all respondents respectively.

Age, of course, has an impact on brand preferences. Less than 1 percent of all fragrance users aged 18 to 24 choose Charlie as their favorite. Instead 7 percent singled out Jovan Musk as the brand they most like to wear. Buyers think the new sexy commercials for Jovan may have inspired this trend.

Among the more sedate 25- to 34-year olds and the 35- to 49-year-olds, Jovan Musk is still popular, but no longer the outstanding favorite. Again that honor went to Charlie with Chloe and Vanderbilt runners up and Jontue scoring with women aged 25 to 34.

Interestingly, Charlie's popularity with women aged 35 to 49 is up significantly over 1987, while Vanderbilt's is down. Buyers attribute that to Charlie being given more advertising and display space, since Revlon has intensified support for all its brands at mass.

Only one alternative designer fragrance, Primo, was chosen as a favorite brand by our respondents—2 percent of all 18- to 24-year olds, and some women 50 and older.

Trés L.A., which is marketed to younger women, also scored with under-25 users, with 5 percent of this group citing a preference for this brand.

Only three brands scored as a brand of choice across all age groups: Charlie, Jovan Musk and Vanderbilt. Chloe almost made it, but fell out of the top choices for women 50 and older.

Le Jardin de Max Factor, like Trés L.A., scored as a favorite just with women 18 to 25.

Night Musk made it with every age segment except, surprisingly, those under 25.

Most respondents indicated they held onto their favorites for a long time. Even a slight majority of women 18 to 24 reported they have been using their favorite for more than a year. Four out of 10 users said the brand they named has been their favorite for two to three years.

Two out of 10 women 50 and older said the brand they named has been their favorite for over 15 years.

As many as one out of every six fragrance users don't buy fragrances for themselves. They receive them as gifts, and this is especially the case for women 50 and older or between the ages of 25 and 34. It's possible a lot of these gifts are being bought by children and grandchildren who perceive fragrances as a safe and attractive gift.

Women who do buy their own fragrances are spending more in 1989. The mean expenditure this year is $24 compared to $20 in 1987.

Upscale ambiance is a strong contributor to fragrance sales. Women like to buy fragrances in a department store-type atmosphere.

The most popular mass fragrance brands among women

(Among women who are current users of perfume/cologne)

Brand	% of all fragrance users naming brand as favorite	
	1989	1987
Charlie	3.6%	4.6%
Jovan Musk	2.4	1.8
Chloe	2.0	n.a.
Vanderbilt	2.0	4.7
Shalimar	1.6	1.5
Anais-Anais	1.6	1.1
Night Musk	1.4	n.a.
Forever Krystle	1.0	1.3
Emeraude	1.0	2.1
Lady Stetson	1.0	n.a.
Wind Song	1.0	n.a.

Source: The Gallup Organization for *Drug Store News*

The most popular mass fragrance brands among women 18-24

Brand	% of all fragrance users naming brand as favorite	
	1989	1987
Jovan Musk	6.7%	6.6%
Anais-Anais	3.8	4.1
Primo	2.1	2.0
Le Jardin de Max Factor	2.1	n.a.
Tres L.A.	2.1	n.a.
Chloe	1.6	n.a.
Charlie	0.9	n.a.
Vanderbilt	0.9	6.7

Source: The Gallup Organization for *Drug Store News*

The most popular mass fragrance brands among women 25-34

Brand	% of all fragrance users naming brand as favorite	
	1989	1987
Charlie	5.4%	5.1%
Jontue	3.5	2.3
Vanderbilt	3.3	4.8
Chloe	3.2	n.a.
Anais-Anais	2.9	2.6
Lady Stetson	2.5	n.a.
Jovan Musk	2.4	n.a.
Night Musk	1.6	n.a.
Coty Musk	1.5	1.5
Tabu	1.2	n.a.

Source: The Gallup Organization for *Drug Store News*

The most popular mass fragrance brands among women 35-49

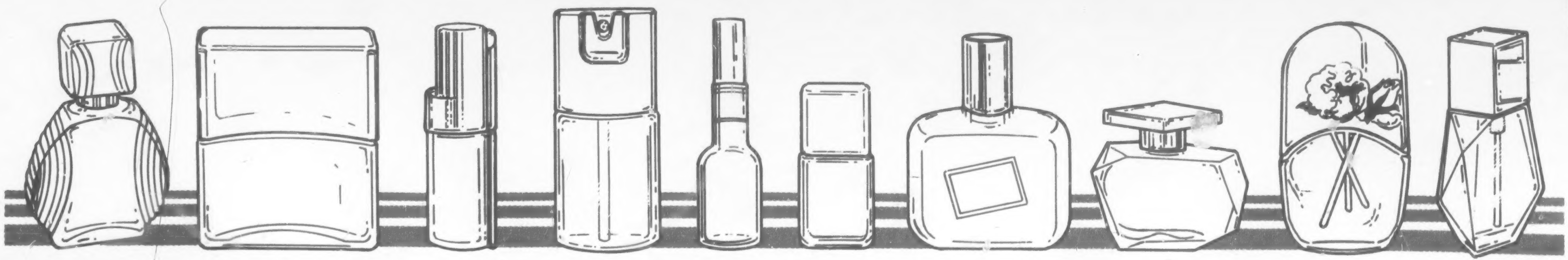
Brand	% of all fragrance users naming brand as favorite	
	1989	1987
Charlie	2.8%	5.3%
Chloe	2.8	n.a.
Vanderbilt	2.7	6.4
Tabu	2.0	2.0
Jovan Musk	1.9	1.7
Sand & Sable	1.7	n.a.
Wind Song	1.6	n.a.
Night Musk	1.2	n.a.
Forever Krystle	1.2	1.2
Emeraude	1.0	1.4

Source: The Gallup Organization for *Drug Store News*

The most popular mass fragrance brands among women 50 and older

Brand	% of all fragrance users naming brand as favorite	
	1989	1987
Charlie	4.4%	4.2%
Shalimar	3.7	2.3
Night Musk	2.1	n.a.
Forever Krystle	2.1	1.3
Emeraude	2.1	4.7
Jovan Musk	1.3	n.a.
Vanderbilt	1.2	3.0
Anais-Anais	1.2	n.a.
Jean Nate	1.2	1.5
Primo	1.2	n.a

Source: The Gallup Organization for *Drug Store News*



One in four use fragrance 'more than ever before'

The good news about fragrances is that more women use them than the average chain drug store buyer might suspect from current sales.

According to our 1989 Gallup survey of 500 American women, 92 percent of all respondents report they use fragrances.

One out of every four women also say they are using fragrances more frequently today than they were several years ago, while just 16 percent report using them less.

Over four out of 10 respondents reported that a department store brand like Giorgio, Passion or Obsession is currently their favorite brand while 41 percent picked a mass brand like Charlie or Jovan Musk as their favorite.

There were some interesting variations by demographics. One out of 10 women 50 or older do not use fragrances, but among 18- to 24-year-olds, fewer than 3 percent said they are non-users.

Not surprisingly, more women in households earning less than $15,000 a year (12 percent) reported they never used a perfume or cologne, compared to just 5 percent of all women in households earning over $35,000 a year who reported being non-users of fragrances. However, Gallup feels the difference here is not great enough to make this a significant finding.

Household size considered

Household size has some impact on usage. One in 10 women living in a single or two person household reported themselves as non-users of fragrances.

Race also entered the picture somewhat. Ninety-seven percent of all non-whites reported they do use fragrances, compared to 91 percent of all whites. One out of 10 women living in the East said they do not use fragrances, compared to just one in 25 in the Midwest. Again, Gallup feels the differences in both these cases is not enough to be significant.

In terms of increased usage, there do seem to be significant statistical variations by employment, age, race and household types.

Gallup found that 30 percent of all women employed full time are more likely to report using fragrances more often today than several years ago; 32 percent of all non-whites reported more frequent usage; and 44 percent of all single women who are living with children reported the same trend.

STETSON
FITS THE SEASON

Some food/drug combos have attractive fragrance presentations. Here a Smitty's cosmetician invites customers to sample a scent.

Profile of brand loyalty among fragrance users

Length of time respondents have considered a brand their favorite	Total respondents 1989	18-24	25-34	35-49	50-plus
Less than six months	5.7%	7.9%	8.7%	3.5%	4.4%
Six months to a year	3.6	10.2	2.2	5.1	1.1
1 year	10.3	17.7	16.1	12.1	3.0
2-3 years	23.9	43.8	25.4	27.6	10.5
4-5 years	19.8	20.4	21.3	15.8	21.9
6-8 years	7.3	—	10.5	7.2	8.7
9-10 years	10.0	—	7.7	10.1	14.3
11-15 years	4.2	—	0.7	6.1	6.6
More than 15 years	10.4	—	0.7	10.6	21.5

Source: The Gallup Organization for *Drug Store News*

The men's fragrances women buy most often

(Percentage of respondents who buy men's fragrances)

Brand bought most often	All women respondents	18-24	25-34	35-49	50-plus
Department store brand	19.7%	37.3%	21.0%	22.4%	10.6%
Old Spice	8.8	5.9	7.9	9.1	10.5
Brut	4.4	—	2.0	4.5	7.7
Stetson	4.1	5.1	6.5	4.7	2.2
English Leather	3.2	4.3	2.1	4.2	3.0
Door-to-door brand	2.6	—	2.6	3.2	3.4
Jovan Musk	1.6	3.5	0.7	2.1	1.3
British Sterling	1.2	—	1.3	0.6	2.1
Chaps	1.2	0.9	1.4	—	2.0
Iron	0.5	—	1.3	0.9	—
Pierre Cardin	0.5	2.3	—	0.8	—
Adidas	0.5	2.9	—	0.6	—

Source: The Gallup Organization for *Drug Store News*

How mass fragrance brands compare to prestige brands in popularity

(Among women who are current users of perfume/cologne)

Type of fragrance	Total respondents	Age segments			
		18-24	25-34	35-49	50-plus
Department store brand	44.3%	57.6%	39.6%	50.1%	37.8%
Door-to-door brand	7.1	2.9	2.0	8.1	12.0
Mass market brand	41.0	36.3	47.5	39.9	38.8

Source: The Gallup Organization for *Drug Store News*

How much women spend for their fragrances

(Average expenditure by age group)

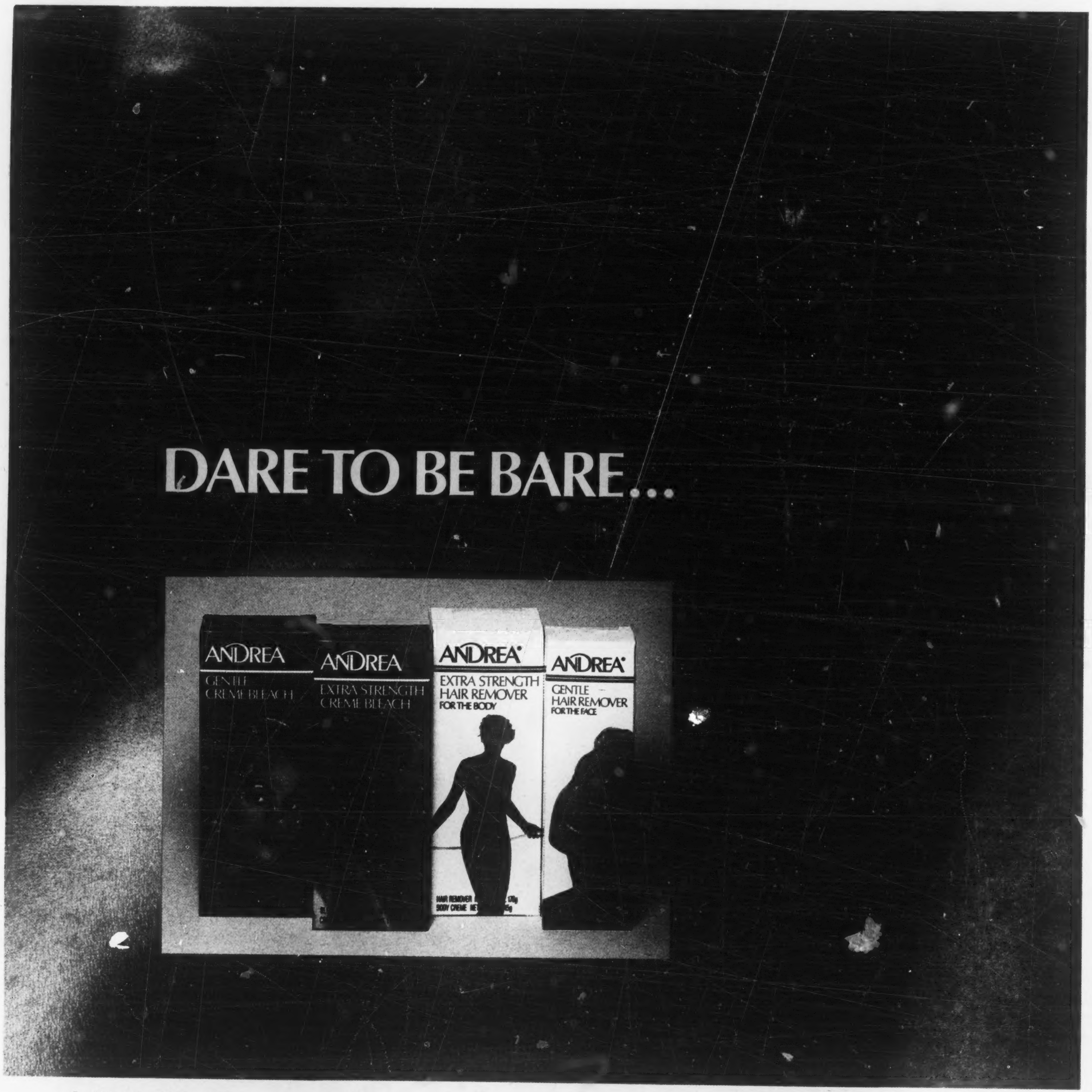
Amount spent	All women	18-24	25-34	35-49	50-plus
$5 or less	2.6%	2.1%	2.2%	3.0%	2.9%
$5.01-$7.50	6.1	7.2	5.0	7.9	5.4
$7.51-$9.99	4.7	9.4	2.4	4.5	5.0
$10.00	6.6	5.6	4.7	11.5	4.9
$10.01-$14.99	4.7	2.3	6.7	3.4	4.3
$15.00	4.7	—	3.4	6.7	6.2
$15.01-$19.99	2.0	—	3.1	2.1	2.2
$20.00	6.3	3.8	6.7	5.7	7.9
$20.01-$24.99	1.6	—	2.7	2.2	1.2
$25.00	6.1	1.3	7.7	9.2	4.9
$25.01-$29.99	3.1	3.8	4.1	3.0	1.9
$30.00	8.0	13.3	8.6	4.1	8.6
$30.01-$39.99	4.1	9.5	5.0	3.4	2.2
$40.00	6.2	15.7	6.4	7.5	2.0
$40.01-$49.99	2.1	2.4	4.4	3.1	—
$50.00	2.3	5.4	2.6	2.7	0.8
More than $50.00	3.4	5.7	2.3	3.6	2.8
Never buy for self	15.4	5.2	14.0	12.6	20.2
Don't know	10.0	7.2	8.2	3.9	16.5

Source: The Gallup Organization for *Drug Store News*

Chains like Osco Drug are starting to hype fragrance sales in "opportunity months" like May and June by doing more in-store events such as make-overs, fragrance layering demonstrations, and product sampling.

DISCOUNT DESIGNER
FRAGRANCES
Lifetime Guarantee

Arbor Drug makes sure its customers know they carry the better designer brands at discounted prices. The strategy has helped fragrance enjoy double digit sales gains.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Dept. stores formidable fragrance market competitors

Many drug store fragrance buyers feel department stores are very tough competitors for fragrance sales. Results of *Drug Store News'* Gallup 1989 consumer survey bear that out.

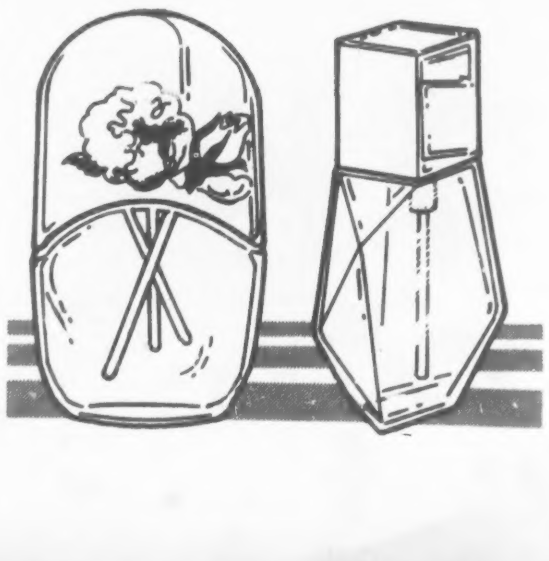
Half of all respondents who buy their own fragrances report that they "most often" buy in department stores. Just one in 10 say they buy their fragrances in conventional drug stores, and less

Continued on page 64

How women who use mass market fragrance brands rate their favorites

Brand	% of current mass fragrance users naming brand as favorite
Charlie	8.7%
Jovan Musk	5.9
Chloe	5.0
Vanderbilt	5.0
Shalimar	4.0
Anais-Anais	3.7
Night Musk	3.4
Forever Krystle	2.5
Emeraude	2.5
Lady Stetson	2.5
Wind Song	2.5

Source: The Gallup Organization for *Drug Store News*



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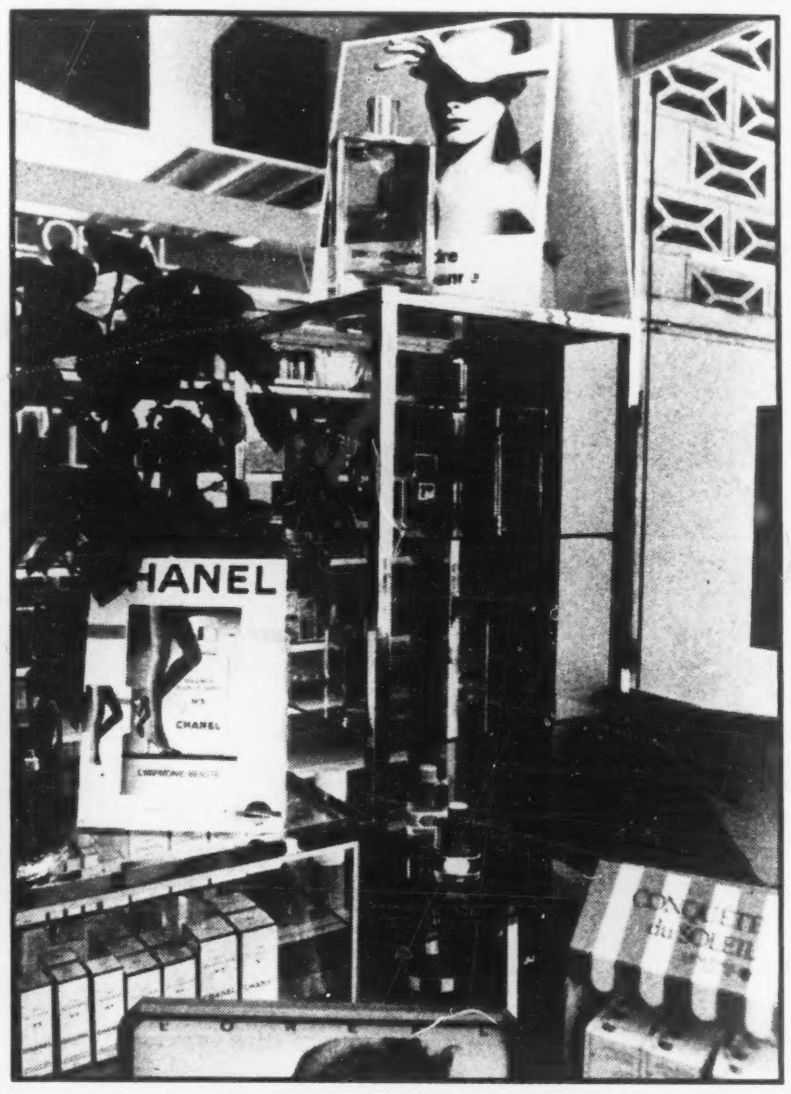


The more a drug store can mimic a department store's merchandising, the better for fragrance sales. Women appreciate the beauty of a clean, artistic display on a glass case.

Shopping preferences

Continued from page 60

than one in 20 buy "most often" at deep discounters.

Women 50 and older, who have relatively less buying power, are more likely to shop drug stores for fragrances than any other age group: 16 percent compared to just 7 percent of all women aged 25 to 34 and 9 percent of all women aged 35 to 49.

Among women with the highest discretionary income, those living in households with incomes of $35,000 and more, less than one in 10 shop drug stores for fragrances. Almost seven in 10, however, prefer department stores for their fragrance purchases.

Six out of 10 women who are employed full time chose department stores as the place they "most often" buy their fragrances. Conventional drug stores capture one in 10 full-time employed women; deep discounters attract 4 percent as loyal fragrance shoppers.

Non-whites, heavier fragrance users than whites, also prefer department stores. Six out of 10 non-whites cite department stores as preferred places to buy fragrances; 10 percent said deep discounters and 7 percent said conventional drug stores.

Perhaps because of Walgreen's strong presence in the Midwest, more women give their fragrance business to conventional drug stores in that region: 15 percent, compared with 42 percent who named department stores and 3 percent who name deep discounters.

Convenience, brand availability and reasonable prices are the reasons most women gave for shopping their preferred stores.

Consumers who said they don't shop drug stores for fragrances said it is primarily because drug stores don't carry the brands they want (34 percent gave this response), prices are too high (9 percent) and drug stores don't stock the "better" department store brands (9 percent).

Only a few consumers complained that drug stores weren't convenient or were too crowded or unattractive to shop for fragrances. Only 2 percent missed being serviced; less than 1 percent cared about the unavailability of free samples or gifts with purchases.

It seems clear from the findings that if drug stores would stock a broader assortment of the better department store brands, they would appeal to a large base of customers. Also they should make certain they always have the most popular mass brands in stock and that they stay very competitive on prices, so they can maintain a good "value" image.

Why women shop one type of store most often for fragrances

(1989 breakout by age segment)

Reasons	All women respondents	18-24	25-34	35-49	50-plus
Convenient/ easy to get to	33.5%	36.9%	22.9%	28.4%	43.4%
Only place that carries my brand	22.9	17.0	25.3	34.0	14.3
Best prices/ lowest prices	18.0	17.5	21.9	18.9	14.7
Nice place to shop/ attractive/ pleasant	9.5	10.2	8.4	5.5	13.2
Wide variety/ selection	5.9	7.5	8.7	7.5	1.5
Charge account	3.9	3.4	11.2	1.9	0.9
Give gifts with purchase	0.9	1.7	1.6	—	1.0
Service	0.7	1.4	0.9	1.0	—
Other/don't know	7.0	7.1	2.8	4.3	12.8

Source: The Gallup Organization for *Drug Store News*

Where women say they most often buy their fragrances

(1989 breakout by age segment)

Where they buy	18-24	25-34	35-49	50-plus
Department stores	55.9%	56.0%	51.4%	42.4%
Conventional drug stores	9.3	7.1	8.9	16.0
Discount dept. stores	13.1	10.6	13.1	8.2
Door-to-door salesperson	1.7	6.0	8.7	8.6
*Mass department stores	5.4	6.9	5.9	8.0
Deep discounters	—	4.8	4.8	6.3
Specialty cosmetic stores	3.1	3.3	4.8	1.0
Mail order catalogs	4.5	2.3	1.3	1.4
Supermarkets	2.2	0.8	–	0.9

*JC Penney, Sears, Montgomery Ward

Source: The Gallup Organization for *Drug Store News*

ZIZA
Natural Wonder
COVER GIRL
ALMAY
Maybelline
MAX FACTOR

Competition for the lucrative color cosmetics business is intense. Not only does the category generate large dollar volumes, it attracts the beauty-oriented woman, a prime consumer audience, as well. Here brand-name signs reinforce Osco's commitment to cosmetics/fragrances.

Percentage of women using select color cosmetics

	All respondents	18-24	25-34	35-49	50-plus
Mascara	68.6%	83.2%	85.7%	82.0%	43.5%
Nail polish	67.7	88.5	77.0	64.7	56.4
Eye shadow	64.8	81.4	83.6	80.7	37.4
Eye creams/Anti-aging lotions	50.1	54.5	43.8	55.6	47.4
Nail treatments	39.4	58.5	49.7	40.1	24.0

Source: The Gallup Organization for *Drug Store News*

Why women shop drugstores for eye shadows and mascaras

Reasons	All respondents	18-34	35-plus
Convenient	44.3%	37.0%	49.0%
Reasonable prices	37.1	45.5	30.2
Variety/selection	10.6	12.3	9.9
Service	2.2	1.9	2.0

Source: The Gallup Organization for *Drug Store News*

Where women most often buy eye shadows and mascaras

(Percentage of respondents naming these stores)

Type of store	All respondents	18-24	25-34	35-49	50-plus
Conventional dept. stores	23.3%	16.1%	25.4%	22.6%	22.8%
Drug stores	20.3	32.6	18.5	16.3	20.9
Discount stores	17.9	15.5	22.4	19.5	12.9
Deep discounters	14.0	19.7	11.0	15.8	12.8
Door-to-door sales	8.1	—	7.5	12.3	7.9
Supermarkets	5.8	8.4	5.7	3.0	8.6
Specialty cosmetic stores	3.5	5.8	2.9	4.2	2.2
Mail order	2.5	—	4.5	1.6	2.0
Mass merchandise stores*	0.4	—	—	—	1.7

*JC Penney, Sears

Source: The Gallup Organization for *Drug Store News*

Consumption trends fuel cosmetics' rapid growth

At least half of American women use color cosmetics, the exclusive *Drug Store News*/Gallup survey shows. Women are applying many of these products more often than in past years.

These consumption trends are evident in the rapid growth of eye and nail care products, which some drug chain buyers report are up 15 percent and more in their stores.

Mascara usage

According to Gallup, nearly seven women in 10 use mascara, including 8 percent who say they are applying mascara more frequently today than several years ago.

Women younger than 50 are more likely to use mascara than older women; more than eight out of ten use a mascara, twice the rate of the older group.

Women in households with annual incomes of $25,000-plus use more mascara than lower income groups. Indeed, nearly half of the women in $15,000-and-less households say they "never" use mascaras; one-fourth of women in $15,000-to-$24,999 households report the same non-use.

Half of the nation's unemployed women also say they don't use mascara, which only two in 10 working women report.

Caucasian women are more likely to use mascara than ethnic women. Half of non-Caucasians say they never use mascara, compared with three in 10 Caucasians.

Eye shadow

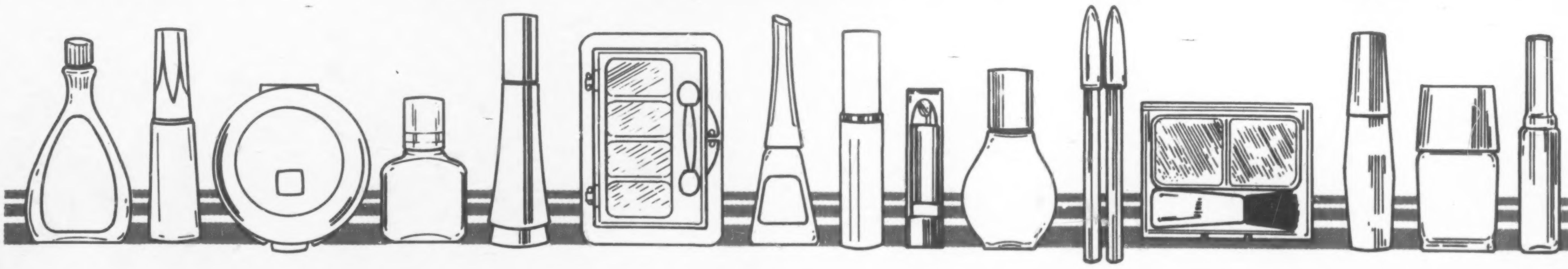
Users of eye shadows follow a similar pattern. Eight out of 10 aged 18 to 49 use eye shadows, more than twice the rate of women older than 50. Within this prime age group, nearly one in seven say they are using shadows more today than several years ago.

Eight in 10 women in $25,000-plus households use eye shadow, compared with

Continued on page 69

COVERGIRL
Maybelline
Clarion

Today's cosmetic shopper is fashion conscious. Buyers say one sure way to appeal to her is to bring in the latest, hot, new products as fast as possible, and hopefully ahead of the competition.



Perry encourages its cosmeticians to "dress up" their beauty bull pens to catch shoppers' attention. Closeup photos of models form a mural above the area, further luring shoppers.

Changes in how often women use mascara

	More often 1987	More often 1989	Less often 1987	Less often 1989	The same 1987	The same 1989
All women	18.3%	7.8%	14.0%	17.2%	37.2%	43.0%
18-24	21.0	10.3	37.2	25.6	43.4	47.3
25-34	29.4	9.9	15.4	14.8	45.3	60.5
35-49	20.9	13.3	25.4	12.7	52.8	56.0
50-plus	8.6	1.6	9.9	17.3	21.2	23.4

Source: The Gallup Organization for *Drug Store News*

Changes in how often women use eye shadow

	More often 1987	More often 1989	Less often 1987	Less often 1989	The same 1987	The same 1989
All women	21.5%	11.6%	21.5%	18.6%	28.8%	34.2%
18-24	27.0	16.3	27.0	23.4	34.2	41.7
25-34	26.7	10.1	26.7	29.4	37.5	43.6
35-49	27.1	16.5	27.1	16.4	38.0	47.8
50-plus	13.6	7.1	13.6	12.5	16.5	17.0

Source: The Gallup Organization for *Drug Store News*

Use of eye and nail care products is on upswing

Continued from page 66

half the women in $15,000-and-less households.

Eight in 10 working women use eye shadows, compared with half of the nation's unemployed women.

Among Caucasian women, seven in 10 use eye shadows, compared with half of the nation's ethnic women.

Creams and lotions made especially to minimize creases around eyes and other aging lines are a fairly new development at mass and department stores. Still, 50 percent of respondents said they already use these products.

Among women in $25,000-to-$34,999 households, 57 percent said they use these creams and lotions, compared with 45 percent in $15,000-and-less households.

Slightly more than half of Caucasian women said they use eye creams, compared with 44 percent of the country's ethnic women.

Nearly as many American women use nail polish as mascara, the survey showed.

Indeed, more than two out of three women use nail polish, although the rate of usage declines in the older age groups. For example, 88 percent of 18- to 24-year-olds use nail polish, compared with 56 percent of women 50 and older.

Income also makes a difference. Seven women in 10 who earn $15,000-plus report using polish, compared with six out of 10 women who earn less.

Employment status caused no significant differences in nail polish use.

Ethnic women tend to use polishes a bit more than Caucasians.

Changes in how often women use eye creams & anti-aging lotions

	More often	Less often	The same
All respondents	19.3%	7.8%	22.9%
18-24	24.4	15.4	14.7
25-34	16.5	7.1	19.6
35-49	22.4	8.0	25.2
50-plus	17.4	4.5	25.6

Source: The Gallup Organization for *Drug Store News*

Changes in how often women use nail polishes

	More often	Less often	The same
All respondents	16.9%	20.8%	28.7%
18-24	39.3	16.3	32.9
25-34	15.6	32.6	27.5
35-49	14.5	21.2	28.1
50-plus	11.6	14.2	28.1

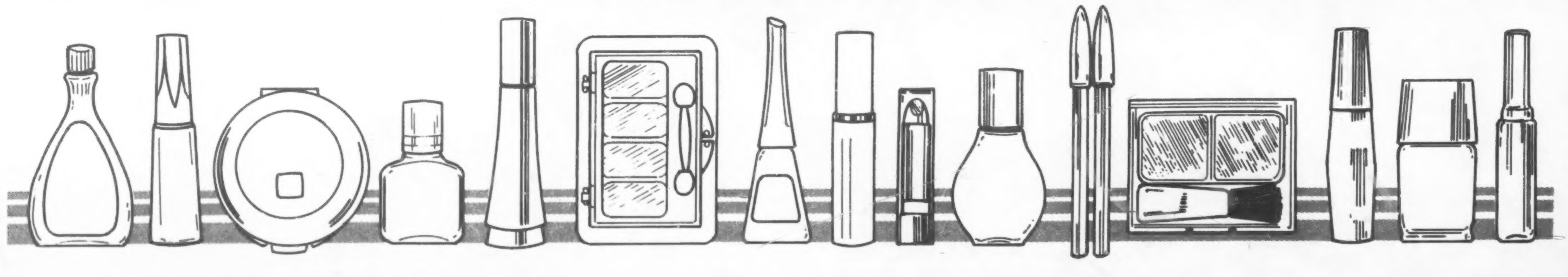
Source: The Gallup Organization for *Drug Store News*

Changes in how often women use nail treatments

	More often	Less often	The same
All respondents	12.6%	14.4%	10.8%
18-24	30.5	19.6	8.5
25-34	15.6	22.0	10.8
35-49	8.6	15.8	14.8
50-plus	5.9	6.8	8.3

Source: The Gallup Organization for *Drug Store News*

Skin treatment is a growth area in cosmetics. Half of those surveyed said they already use creams and lotions made to minimize aging lines; the same number said they use color cosmetics regularly.



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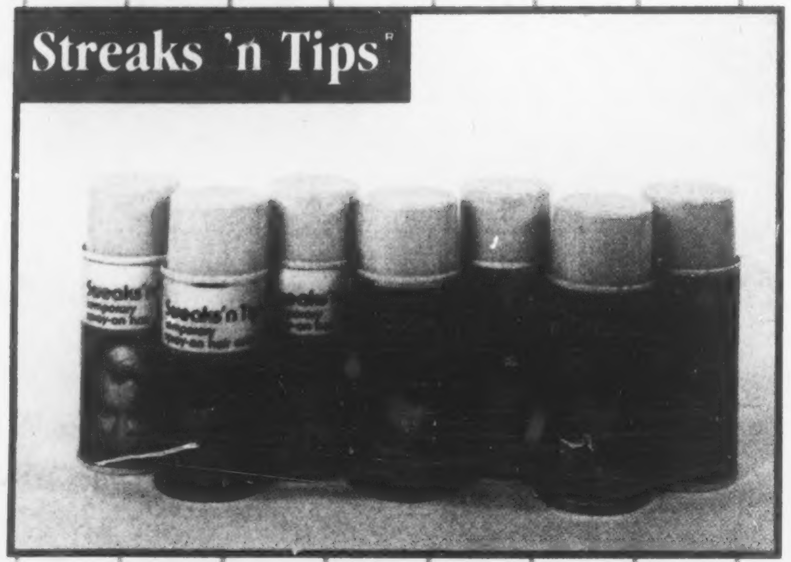

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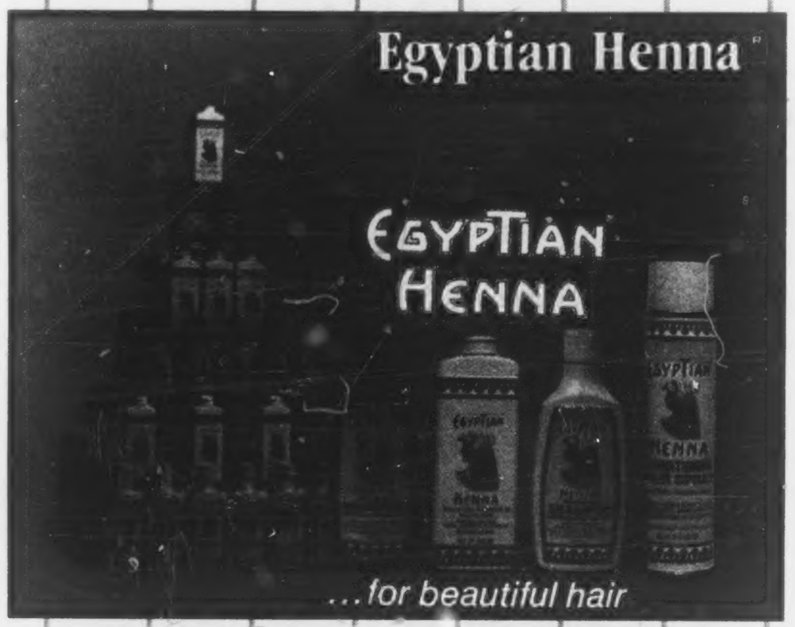

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Faring well against dept., discount stores:

Eye cream, anti-aging lotions are popular drug store items

The eye cream, anti-aging lotion category is fairly new to conventional drug stores and deep discounters, so it is encouraging to learn through Gallup findings that one in six women shop for these products most often in these stores.

Younger consumers from 18- to 24-years-old are most likely to shop a drug store rather than a department store for an eye cream. People in this age bracket are used to shopping drug stores for convenience, and are most likely to experiment with new types of products, such as Revlon's Anti-Aging lotions or Almay's Stress eye gels.

According to Gallup, 35 percent of all eye cream and anti-aging lotion users shop conventional drug stores for these products, compared to just 14 percent in the same age group who shop department stores. About 10 percent of users shop deep discounters for these products.

When assessing where women say they most often buy eye shadows and mascaras, drug stores fare well against department stores, with discount department stores not far behind.

More than one-third of respondents to the Gallup survey said they most often purchase shadows and mascaras at either a conventional or deep discount drug store, compared with about two in 10 who cite department stores, and another two in 10 who name discount stores.

An in-store beauty fair is one good way to call attention to a cosmetics department. Here a Harco drug cosmetician gives a free manicure to a customer.

Why women shop this store most often for eye shadows and mascaras

Reasons	All respondents	18-24	25-34	35-49	50-plus
Convenience	37.7%	33.7%	33.3%	34.3%	49.0%
Low prices	27.7	25.0	35.3	32.4	14.5
Only place that carries my brand	12.5	8.5	13.8	13.2	12.3
Variety/ selection	9.7	14.5	7.3	10.6	8.3
Service	3.8	6.4	1.4	2.8	6.4
Nice atmosphere	3.7	6.0	1.3	3.2	6.2
Charge account	1.8	—	3.8	1.8	0.9
Gifts with purchase	0.2	—	0.8	—	—

Source: The Gallup Organization for *Drug Store News*

Where women most often buy eye creams/anti-aging lotions

(Percentage of respondents naming these stores)

Type of store	All respondents	18-34	35-49	50-plus
Department stores	25.7%	20.9%	22.4%	31.8%
Drug stores	15.2	21.6	14.8	9.2
Door-to-door sales	14.6	16.5	16.5	13.1
Discount stores	10.2	10.1	12.6	9.0
Discount drug stores	9.5	5.7	15.0	7.7
Supermarkets	6.4	7.9	4.8	5.1
Mail order	4.6	5.7	1.0	7.1
Specialty cosmetic stores	3.7	4.3	4.8	2.5
Mass merchandise stores*	1.5	—	1.9	1.7

*JC Penney, Sears, etc.

Source: The Gallup Organization for *Drug Store News*

What motivated impulse purchases for eye shadows and mascaras

(Percentage of total respondents who made an impulse purchase)

Saw it and remembered an ad	24.6%
Reasonable price	16.1
Display	11.8
Packaging	9.6
Tried a sample	8.9
Store advertised it	8.0
Salesperson recommended it	4.6
Other/Don't know	18.7

Source: The Gallup Organization for *Drug Store News*

Study pinpoints women's eye, nail care preferences

Gallup findings show that more women buy Maybelline mascara than any other brand. More than 30 percent of American women choose it. And this decided preference is evident across all age and income groups.

Among 18- to 24-year-olds, Cover Girl mascara has a devoted following, with three in 10 citing it as their preferred brand, compared with one in 10 overall. In this age group, Cover Girl is a close second to Maybelline.

Eye shadows

Maybelline also showed as the most frequently preferred brand of eye shadow, with Cover Girl a close second. Indeed, 18 percent of all women pick a Maybelline shadow as their favorite brand, while 13 percent make Cover Girl their brand of choice.

Among 18- to 24-year-olds, Cover Girl is ahead of Maybelline, cited as a preferred brand by 18 percent of that age group, compared with 16 percent naming Maybelline. Older women, however, show a preference for Maybelline, with its strongest following among 25- to 34-year-olds.

Eye creams Anti-aging lotions

Gallup findings show that more women prefer a door-to-door brand of eye creams and anti-aging lotions, even more than Oil of Olay, the most popular mass brand, and costlier department store brands such as Estée Lauder and Clinique.

Nail polishes

Nearly 70 percent of women surveyed say they use nail polishes, and half use polishes with nail treatments.

In answers given by polish-with-treatment users, Revlon and Sally Hansen are each named by 16 percent as favorite brands. Hansen is most popular among users younger than 35, and Revlon among the older crowd. Revlon is also the clear preference among women in households earning $25,000 a year or more.

Again, door-to door brands are strong in this segment. Maybelline is the fourth most frequently cited brand, at 6 percent, and Cover Girl is next at 5 percent.

In fashion polishes, marketed without treatment claims, Revlon is a clear-cut favorite, chosen by 20 percent of all women polled. One in 10 name a door-to-door brand as their favorite, and 8 percent select Cover Girl and L'Oréal respectively. Next are Maybelline Shine-On and Cutex, each named by 5 percent of polish users, and Sally Hansen, named by 4 percent.

Revlon has a following in all age groups, with its strongest loyalty among women 35 and older. The brand is also cited by nearly 40 percent of women in $35,000-plus households. Door-to-door brands score best among women 50 and older, and worst among 18- to 34-year-olds. Cover Girl is strongest among women 18 to 34, and L'Oréal among the 18 to 49 crowd.

Nail treatments

In nail treatments, 17 percent of all women polled say they prefer Revlon and 13 percent cite Sally Hansen. Among women younger than 35, one in five select Hansen; among older women, 21 percent say they prefer Revlon and 10 percent name Hansen.

Gallup findings show that women in higher income levels tend to favor Revlon over Hansen. Also, more Caucasian women prefer Revlon, and ethnic women prefer Hansen.

Cover Girl
ALMAY
Clarion

In the last few years, most drug chains have adopted the family set in cosmetics. Buyers say merchandising all Clarion color together, all Revlon together, etc. helps generate impulse sales of accessory items, an impulse purchase of a lip stick with a nail polish or vice versa, for example.

The most popular eye cream/Anti-aging brands

(Percentage of respondents naming brand as their favorite)

Brand	All respondents	18-34	35-49	50-plus
Door-to-door brand	15.9%	17.3%	16.8%	15.8%
Oil of Olay	11.9	8.6	15.9	11.5
Estée Lauder	7.9	4.3	6.6	11.9
Clinique	4.7	6.5	4.6	2.0
Ponds	2.9	2.2	4.8	2.3
Revlon	3.5	5.8	4.4	1.0
Almay	2.5	2.2	2.5	3.0
Moisture Eyes	1.2	1.4	1.1	—

Source: The Gallup Organization for *Drug Store News*

The most popular eye shadow brands

(Percentage of respondents naming brand as their favorite)

Brand	All respondents	18-24	25-34	35-49	50-plus
Maybelline	17.8%	15.8%	19.8%	18.4%	13.6%
Cover Girl	12.6	18.2	13.8	9.5	12.7
Revlon	6.0	—	8.1	7.0	5.9
L'Oréal	4.3	10.7	0.8	4.9	2.0
Estée Lauder	4.2	2.9	1.5	4.1	8.3
Clinique	4.1	4.5	3.4	6.4	1.6
Clarion	3.2	15.0	2.4	0.6	—
Aziza	3.1	4.5	3.3	4.0	0.9
Lancome	2.9	1.6	3.3	3.3	3.3
Merle Norman	2.4	4.6	3.2	0.7	2.8
Almay	2.2	1.1	—	1.9	6.6
Max Factor	1.7	—	3.1	0.7	2.6
Fashion Fair	1.3	3.2	—	1.4	1.3
Coty	1.2	—	—	1.0	4.0

Source: The Gallup Organization for *Drug Store News*

The most popular nail polish brands

(Percentage of respondents naming brand as their favorite)

Brand	All respondents	18-34	35-49	50-plus
Revlon	23.3%	17.7%	30.8%	24.5%
Door-to-door brand	9.2	5.9	9.9	14.1
Cover Girl	7.9	13.1	6.3	3.3
L'Oréal	7.8	9.7	9.9	1.9
Cutex Shine On	5.1	3.4	2.8	10.1
Maybelline	4.9	7.2	3.6	3.4
Sally Hansen	4.1	5.1	3.9	1.7
Wet 'N Wild	2.2	2.1	0.9	3.7

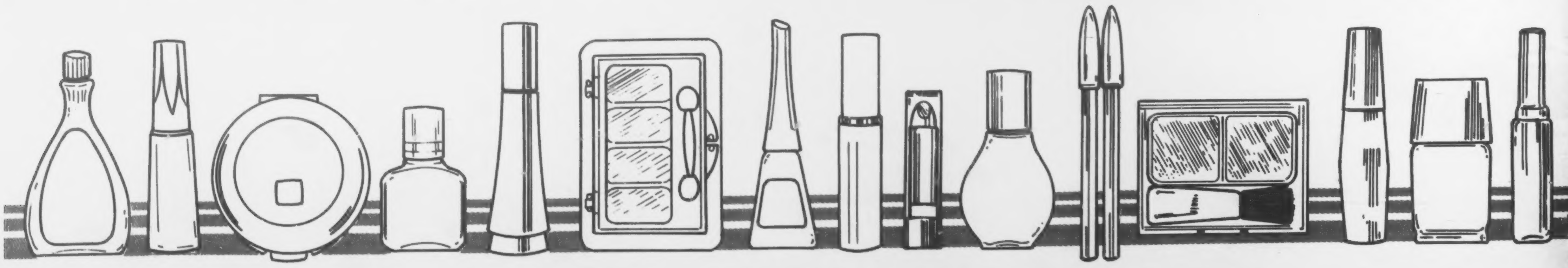
Source: The Gallup Organization for *Drug Store News*

The most popular mascara brands

(Percentage of respondents naming brand as their favorite)

Brand	All respondents	18-24	25-34	35-49	50-plus
Maybelline	36.7%	34.2%	35.8%	40.3%	35.0%
Cover Girl	12.4	29.9	8.8	10.7	8.7
L'Oréal	4.4	5.1	5.2	7.1	—
Estée Lauder	4.1	4.3	4.4	3.0	5.4
Clinique	3.8	2.8	3.4	4.4	3.0
Revlon	3.6	—	3.4	3.1	6.2
Almay	2.5	1.1	2.2	1.7	5.0
Max Factor	2.4	2.4	4.3	2.6	—
Lancome	2.4	—	2.3	2.8	2.8
Aziza Regular	2.0	—	1.9	1.7	2.6
Clarion	0.8	1.1	0.8	0.6	0.8

Source: The Gallup Organization for *Drug Store News*



TRENDS

Drug chains make most of core general merchandise

The survey underscores what chain executives and store-level people have known for a long time: GM enlists the creative side of drug store retailing. A constantly growing product base, and the ongoing fragmentation of the market into a host of consumer groups with special needs and interests, have given front-end merchandisers new opportunities and challenges.

HOME OF
PICTURE PICTURE
electronics
watches

Drug Store News *wants to thank the dozens of retailers, representing 8,000 stores, who took the time to respond to our 1989 General Merchandise Survey. We appreciate your cooperation.*

The nation's drug chains continue to make the most of their general merchandise categories, but merchandise managers approach front-end retailing with great care. In general, their enthusiasm for the vast array of GM products and services they offer is real, but tempered by healthy concerns about their stores' health-care image, shelf space allocation and competition.

That is the chief finding of the first annual general merchandise survey conducted by *Drug Store News* in late May and early June. The survey was conducted through hundreds of questionnaires and dozens of phone interviews to provide an in-depth look at how the chain drug industry approaches retailing beyond their core health and beauty aids business.

The stories in this special section trace the results of that effort. For research purposes, the survey broke the broad general merchandise arena into 11 major components: Stationery, including home-office and school supplies, greeting cards and books/magazines; Photo, including photofinishing, film and cameras; Housewares, including household chemicals, personal care, rubber/plastic storage items and microwave cookware; Consumer Electronics, including blank tapes, batteries and portable audio equipment; Hosiery; Toys; Video Rental; Seasonal; Sunglasses; Hardware; and Automotive Supplies.

In today's full-scale drug store, those categories can encompass half the total sales floor and provide the kind of one-stop shopping convenience vital to modern mass retailing. Some GM categories, like photo, greeting cards, school supplies and seasonal, are foundations of modern drug retailing, and nothing drug chains have done to refocus on their health- and beauty-care roots in the 1980s has diminished their importance or appeal.

Retailers calling these categories 'very important'

Hosiery	85.7%
Seasonal	81.8
Stationery	67.7
Photo	66.8
Sunglasses	63.6
Consumer electronics	54.9
Housewares	33.8
Toys	22.7
Video rental	9.1
Hardware	4.5
Automotive	4.5

Source: *Drug Store News* 1989 General Merchandise Survey

Nevertheless, drug chains stake their positions in general merchandise with caution. Faced with the danger of diluting their core health-care images, they often walk a thin line between a too-broad and too-narrow focus, between sacrificing their pharmacy image on the one hand and their added profits on the other. Many of the survey respondents took the time to give thoughtful written comments about the special problems and opportunities of general merchandise retailing.

"We haven't forgotten we're a drug store," wrote one vp-marketing, echoing the comments of many. "There is a greater degree of risk involved in purchasing general merchandise, but the rewards can be greater than basic H&BA if approached with a degree of caution."

"H&BA products are truly the 'turf' of the drug store," another executive wrote. "The GM product should be positioned for variety and to convey a broad assortment. It should not try to take the place of the H&BA emphasis."

At his chain, he wrote, GM is "positioned to complement the drug store image."

"Big-ticket sales go to the discount stores," wrote another respondent. "Variety and convenience seems to be our chain store niche."

One merchandiser wrote that GM "makes the store more appealing—a more pleasant shopping trip," while another complained that "everyone is in it" and gross margins had suffered as a result. Several respondents complained of having too little space to carry a complete assortment or compete with the big discount chains effectively, and a few

Continued on page 82

How retailers rank hard goods on key performance criteria

SALES GROWTH:

1st—Greeting Cards *
1st—Photofinishing *
3rd—Home Office
4th—School Supplies
5th—Seasonal

MARGINS:

1st—Greeting Cards
2nd—School Supplies
3rd—Photofinishing
4th—Home Office
5th—Batteries

GROSS PROFIT DOLLARS:

1st—Greeting Cards
2nd—Photofinishing
3rd—School Supplies
4th—Seasonal
5th—Home Office *
5th—Film *

VENDOR SUPPORT:

1st—Greeting Cards
2nd—Photofinishing
3rd—Film
4th—Batteries
5th—School Supplies

CHAIN PROMOS:

1st—Photofinishing
2nd—Film
3rd—Household Chemicals *
3rd—School Supplies *
5th—Batteries

SPACE EFFICIENCY:

1st—Photofinishing
2nd—Film
3rd—Greeting Cards
4th—Batteries
5th—School Supplies

EXCITING NEW PRODUCT INTROS:

1st—Seasonal
2nd—Greeting Cards
3rd—Personal Care
4th—School Supplies
5th—Toys

*Tie
Source: Drug Store News 1989 General Merchandise Survey

Drug chains make most of core general merchandise

Continued from page 81

said they are forced to take too many markdowns on leftover inventory.

"With limited real estate and promotional space, something must give," wrote one general merchandise manager.

Nevertheless, most chain merchandisers polled by *Drug Store News* are staying with as broad a mix of GM as possible without sacrificing their core H&BA business, and most don't seem worried that promoting GM aggressively might diminish their healthcare image.

'With limited real estate and promotional space, something must give.'

The majority of respondents rated photofinishing and film, greeting cards, school supplies, batteries, seasonal items and other GM departments as "very important" to the overall sales mix. They promote them heavily, take advantage of manufacturer promotions and co-op dollars, and key in on new product entries as aggressively as their precious shelf space allows.

Merchandisers also give high marks to some GM categories for gross margins, gross profit dollars, sales growth and vendor support. Greeting cards won out in all four of those areas, while photofinishing was tops in terms of space efficiency and chain promotional activity. Seasonal products were given top honors by survey respondents for new-product activity.

The survey underscores a fact that chain executives and store-level people have known for a long time: along with cosmetics, GM enlists the creative side of drug store retailing. A constantly growing product base, and the ongoing fragmentation of the market into a host of consumer groups with special needs and inter-

Continued on page 83

GE IS THE LIGHT THAT TURNS MERCHANDISING

Lighting Center
Lighting Center
Soft Pleasing Light
Soft White 3-Way Bulbs
Soft White 3-Way Bulbs

GE's packaging and merchandising give you more profit per square foot.

Lighting is one of the most profitable categories in your store. And GE light bulbs are by far the biggest sellers in the light bulb category. Those are the facts.

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Displays, like our Soft-White Pallet Pack, can be rolled off a truck and onto your floor to create instant sales. And our packaging is as eye-catching as it is informative.

Does aggressive promotion and display of general merchandise diminish your health and beauty care image?

75%	No
12.5%	Yes
12.5%	Don't Know

Source: *Drug Store News* 1989 General Merchandise Survey

Are your general merchandise sales efforts more or less aggressive than last year?

37.5%	Same
29.2%	Less
20.8%	More
12.5%	Don't Know

Source: *Drug Store News* 1989 General Merchandise Survey

Continued from page 82

ests, have given front-end merchandisers new opportunities and new challenges.

Thus, while the pharmacy and health care side of the drug store have undergone transformations, their basic outlines have remained fairly intact and recognizable. Not so with many of the product categories denoted by the "general merchandise" label.

The photo department, for instance, has become a major focus of many drug stores as they compete aggressively for the growing photofinishing business. Many chains are marketing fast, high-quality photoprocessing and customer service to stay one step ahead of mini-labs, supermarkets and other competitors; some have also waded into the one-hour photofinishing game themselves.

Compare this with the drug store photo "departments" of yesteryear, which often consisted of a self-service drop-off box for film developing.

A big transformation has also swept the drug store stationery aisles, where a new and booming market in home-office supplies has carved out significant and well-deserved shelf space. Most chains have responded well by adding a broad range of office supplies, often including computer products, to complement their school supply sections.

Some, including Perry Drug Stores, have gone further, adding a whole section devoted to bulk office supplies for the serious business consumer. And the level of marketing sophistication continues to grow, as chains learn to distinguish office supplies clearly from school products and stationery.

Other examples of big changes at the front-end abound. The home video revolution has created a new section for blank videocassettes and supplies, and drawn many drug chains into the movie rental business as well. The greeting card department continues to grow in size and importance, as that industry evolves into a highly segmented, multibillion-dollar business rife with niche marketing opportunities.

Compare this with drug store photo 'departments' of yesteryear, which often consisted of self-service drop-off boxes for developing.

The growing role of consumer electronics has also given a big lift to batteries and portable audio equipment in drug stores; batteries have become one of the most heavily promoted and aggressively merchandised front-end categories in the store. Seasonal products have made growing contributions to the bottom line as chains have become more sophisticated in their import programs, often going direct to the Orient for a better deal.

Housewares, meanwhile, continue to perform steadily in the nation's drug stores. Sunglasses remain a high-profit, high-impulse fashion center. And hardware and automotive supplies, while scaled back in some chain drug stores, remain a contributing part of the mix and an important promotional tool. Chains are using improved sales data from new POS systems to fine-tune their mix in these areas, and are going with a trimmed-down selection of top sellers.

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MANAGER'S SPECIAL!
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We increase the demand for GE products with a heavy national advertising campaign—more than $20 million this year. And with over $600 million in promotions and rebates.

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To find out more on how GE can help bring more profitability to your selling floor, call 1-800-GE LIGHT.

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Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
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Chains work towards creating a real identity in home office

Nearly seven in 10 drug store operators plan to invest space, time and dollars in stationery's home office category, according to findings of *Drug Store News*' 1989 General Merchandise Survey. Not surprisingly, 50 percent of chain drug buyers, general merchandise managers and vice presidents of merchandising and marketing ranked home office as a "very important" area to be developed.

Some drug chains are making more of an effort to develop high identity sections for home office. Little wonder: in the 1988 National Work-At-Home Survey conducted by LINK Resources, home-based businesses in the United States numbered 9 million. The home office market reached $5.7 billion last year, and LINK Resources estimated that the average household business spends $300 annually on supplies, excluding consumer electronics and telephone information services.

By broadening and upgrading these sections, drug chains are better able to compete with super-office supply stores such as Staples and Office Depot. However, drug chains have the upper hand, because along with home office supplies, they offer a variety of products in one convenient location.

Jack Mitchell, general merchandise buyer for Malone & Hyde's drug division, told *Drug Store News* that even though his chain competes with these stores, "In our market, we offer better retail price points than the office supply people."

Top two sales drivers: STATIONERY

Home office
a. Strong in-store presentation
b. Broad assortment

Greeting cards
a. Strong in-store presentation
b. In-store service

School supplies
a. Broad assortment
b. In-store service

Source: *Drug Store News* 1989 General Merchandise Survey

Where retailers plan to invest in the next two years

STATIONERY	%
Home office	61.9
Greeting cards	47.6
Books/magazines	23.8
School supplies	14.3

Source: *Drug Store News* 1989 General Merchandise Survey

This year, Malone & Hyde tried to increase the space it gives to its home office assortment, but since not all stores merchandise this category, Mitchell said they must keep the mix as basic as possible. That means home office takes up eight to 12 feet in the stores, and is adjacent to school supplies.

The home office category is "jumbled in" the 24-foot stationery aisle at LaVerdiere's, reports Mike LaVerdiere, executive vp. But the Maine-based chain is now attempting to create home office as a separate category at all the stores.

"We hope to have all these sections completed by this year's BTS season," he said.

The plan calls for pulling out all the products mixed into the stationery/school supplies section (home filing systems, plastic trays, desktop organizers and computer paper) and placing them in a separate four-foot section.

So far LaVerdiere's hasn't advertised home office separately; although the chain's advertising plan is set for this year, LaVerdiere said the chain will probably advertise home office separately after Christmas.

In North Carolina, Kerr Drugs recently initiated a chainwide "Right Product, Right Price" in-store promotion. Dan McAlister, stationery buyer, explained that the program offers 30-day temporary price reductions.

The chain works with vendors to determine exactly which products will be reduced, enabling the chain to earn better margins on a 30-day price reduction than on a weekly ad. July promotions will offer a reduction on writing instruments from the stationery/home office/school supply section at Kerr.

McAlister said Kerr's home office business has really "taken off." Last year the chain added an eight-foot Mead Cambridge home office section to the mix, which proved

Continued on page 86

Drug chains continue to expand home office, with many creating a high identity for the section through separate fixturing and a mix that includes legal pad multipacks and desktop organizers.

By many measures, cards are No. 1:

Card depts. move to front of stores; promos, alternative cards add spice

Retailers voted greeting cards No. 1 in certain key performance criteria in *Drug Store News*' 1989 General Merchandise Survey. The areas were sales growth, margin, gross profit dollars and vendor support. Not surprisingly, more than 85 percent of merchants called greeting cards "very important" to their mix.

Drug chains are moving the greeting card department closer to the front of the store because they recognize the performance of this high-margin, high impulse category. Other growth strategies: linking greeting card sales with special in-store promotions, and catering to fans of alternative greeting cards.

Buyers felt that alternative cards are increasingly popular because they fill a non-occasion need for people to keep in touch, and many people prefer to send cards rather than write letters.

At LaVerdiere's in Maine, greeting cards run 60 feet by an entrance or exit aisle for maximum visibility. The assortment is exclusively Ambassador special occasion and alternative cards.

To help promote grand openings, the chain may offer a two-for-one discount, said Mike LaVerdiere. Also, the chain includes the category in each of its 10 circulars, tying in advertising with every major holiday "from Secretary's Day to Easter," he said.

In Indiana, Karen Butler, greeting cards buyer for the 18-store Keltsch Bros. chain, always tries to promote the 200-foot greeting card aisle.

"We use in-store signage and make sure we always have a Hallmark sign posted on every front window of our stores," she said. Keltsch Bros. merchandises Hallmark, Blue Mountain, and Helen Steiner Rice cards. "Everyone knows we carry them," she said.

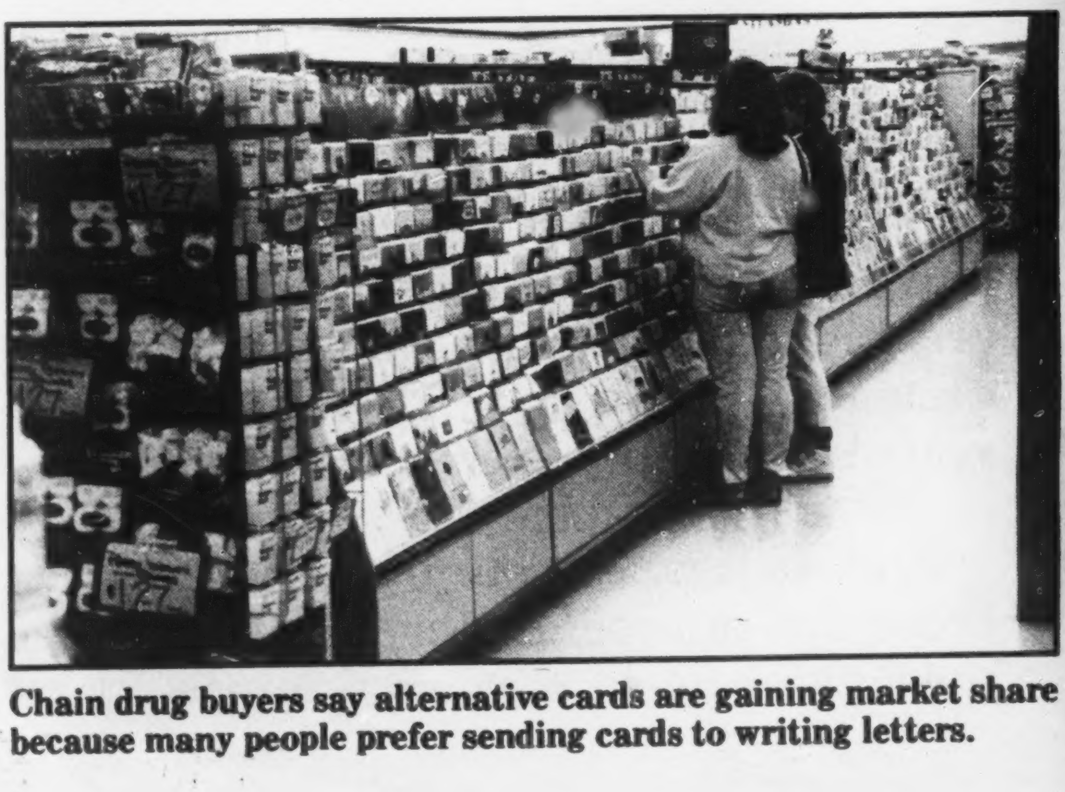
At one of its stores, Keltsch Bros. recently ran an in-store promotion and gave away a free postage stamp with every five greeting cards purchased. Butler said it was successful, and the chain will consider doing it again.

Butler said Hallmark's "To Kids With Love" line of greeting cards has done well. "For kids age six to 16, it's a really good card for working moms to reinforce to their kids that parents can stay in touch with their children's feelings," she said. She noted that Hallmark's Garfield line is too new to gauge its popularity.

At Genovese in New York, greeting cards take up from 38 to 200 feet, depending on store size and local neighborhood demand. Chainwide, the 90-store operator merchandises American Greetings, Gibson and Hallmark. Cynthia Stahley, stationery/greeting cards buyer for the chain, said "It's a priority department for us, and we're always looking for new ways to promote it."

For instance, during the grand opening of a new store, the chain may promote "Buy one, get one free" for greeting cards for a two-week period. "We've also done some value-added promotions," Stahley said, such as giving away a gift with purchase of an assortment of greeting cards. At one store, Genovese raffled off four $25 greeting card shopping sprees to boost sales in a particular area. This tactic exposes women shoppers to giftwrap and bows with which they might not normally be familiar.

Stahley said she is evaluating new card lines, such as Recycled Paper and Pop Shots (cards that pop up to become 3-D scenes).



Chain drug buyers say alternative cards are gaining market share because many people prefer sending cards to writing letters.

Mead

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AS IMPORTANT TO THE WAY YOU LOOK AS THE CLOTHES YOU WEAR.

Broad assortment is key to success in school supplies

School supplies may be out of the stationery spotlight for now, as retailers focus on home office. But the category retains its stature as a virtual year-round performer, with volume peaks during August to mid-September, second semester, and tax time periods.

School supplies are a "very important" category, said more than 77 percent of chain drug executives polled for *Drug Store News*' 1989 General Merchandise Survey. More than 26 percent said that a broad assortment contributes significantly to its sales growth.

At Michigan's Arbor Drugs, senior buyer Mark Nakamura will broaden the chain's BTS mix of roll bags and knapsacks.

As chains branch out into broader BTS offerings, they will still merchandise the category's essentials: notebooks and loose-leaf paper.

"They are the bread and butter of the stationery business," said Cynthia Stahley, stationery/greeting card buyer for Genovese. This chain counts on both home office and school supplies to reap August back-to-college sales.

"In July through mid-August, college students start looking for upgraded products to reorganize their desks and computer work areas," Stahley said.

Mike LaVerdiere, executive vp at LaVerdiere's, said coupons for school supplies are offered in BTS store circulars. During BTS the chain may run a follow-up ROP ad that will also offer a coupon for a school supply item.

Good relationships key

Kerr buyer Dan McAlister said there is a good relationship between Kerr store managers and school administrators. "During back-to-school, some managers may even call on schools directly to see what their needs are," he said.

Store managers at Kerr can also order school products directly from the warehouse during this period, McAlister said.

Home office hot

Continued from page 84

to be successful. He said the chain will play up that area again this year. Stationery and home office is given a total of 84 feet at Kerr, with 28 feet going to notebooks, paper, pens and crayons, and the rest of the aisle going to office and business supplies.

Last month Kerr allocated two feet of the stationery aisle to computer supplies, such as computer paper, floppy disks and diskette cases. "It's not a very large section, but we want to experiment to see what kind of reaction we get to it," McAlister said.

Multipacks of three and five legal pads continue to be a popular home office supply item at Kerr. McAlister was quick to note that even though Kerr competes with Office Depot in Charlotte, N.C. and privately owned office supply stores in Raleigh ("and the Wal-Marts and K marts"), the drug chain tries not to buy large quantities of merchandise as these other stores do. Kerr won't even sell 12-pack legal pads.

In desk accessories, McAlister said Rubbermaid, Rolodex and W.T. Rogers do a good business. He noted that even though desk accessories in fashion colors were the rage in these products (and still may be), Kerr shoppers are now leaning towards more conservative colors, like greys and almonds, to accessorize their desks.

Genovese is committed

Home office was developed as a section at Genovese as early as four years ago, when Cynthia Stahley was housewares buyer for the Long Island chain. She said Genovese knew even then that the needs and the sales were there.

"When we started, the [home office] mix was very basic—we didn't go out of our way to stock computer paper and diskette holders. Then home office workers were more concerned with space efficiency," she said.

"And, at the time, stores in some areas were near renta homes, and consumers were looking for rent receipt books, which were part of an extension to our stationery department," Stahley said.

Now, with Stahley buying stationery and greeting cards for the chain, Genovese devotes 24 feet to home office, part of a 56-foot stationery section. "We've narrowed down our mix a bit, and instead of carrying three or four card indexes, we'll carry two of the best brands in black only, a color most people prefer," Stahley said.

Staples, a Genovese competitor in the home office category, has actually helped to educate consumers about the widespread availability of home office products, Stahley said. "They've highlighted the stationery to the general public and told them they no longer have to shop at office supply stores and warehouse clubs for home office," she said.

If you read the Allen Pen superposter in the next issue, you will learn that:

- 54% of drug store retailers surveyed by *Drug Store News* forecast that home office supplies will grow **16.8%** in 1989.

- Stationery, as a year-round business meeting the needs of students and businesspeople, generates **40%** to **45%** gross margins at drug chains and discount department stores.

- Retailers who use specialty distributors can nearly double their stationery ROI compared to buying direct, receiving at a warehouse and redistributing to stores.

- As compared to a multi-line rack jobber who is usually spread too thin throughout the store with categories, Allen Pen can guarantee the store triple the volume in the same space allotted.

- As opposed to some paper converters who have introduced additional imported categories of school supplies to enhance their service program, Allen Pen has found that when a retailer changes from that factory to Allen Pen the results have more than doubled in volume.

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EXPRESS PHOTO
ONE-HOUR PROCESSING

Eckerd Drug is leading the charge of drug chains into on-site, one-hour photo labs. The mini-lab at the Eckerd unit in Largo, Fla. is located in a corner between picture frames, snack food and beverages.

Photofinishing keys are speed, quality

The photofinishing business has become simple enough: Compete aggressively or die.

That maxim was never more true than today, when one-hour mini-lab operators have gobbled up an estimated 30 percent of the photoprocessing market in dollar volume. Other retailers, including drug, supermarket and discount store chains, are fighting a pitched battle for the huge remaining chunk.

According to the Photo Marketing Association (PMA), 18,000 mini-labs will be operating in the United States by the end of this year, up from just 600 at the beginning of the decade.

With Eckerd Drug leading the charge, many chains are beginning to move into on-site, one-hour labs themselves. Examples include SupeRx of Arizona and Genovese.

The total market pie is enormous, however, and drug stores are holding their own in the photofinishing game. They remain the leading outlet of choice for photoprocessing consumers, according to the PMA, with 28.3 percent of U.S. households rating drug stores their top choice for standard photo processing.

By comparison, mail-order was rated the leading outlet by 18 percent of households, followed by discount stores, supermarkets, one-hour labs and camera stores.

Indispensable foundation

Chain drug merchants themselves rate photoprocessing as one of the indispensable foundations of the drug store business. In *Drug Store News'* recent survey of general merchandise managers, photofinishing was ranked a "very important" part of the mix by 91.3 percent of the chain respondents—more than any other general merchandise category.

The relative importance of the segment is underscored by the successful marketing efforts of many chains. Walgreens, for instance, calls photofinishing its "strongest customer draw" after pharmacy in its recent annual report.

At Perry Drug Stores, harder-hitting promotions and the decision to make the photo department one of the

Continued on page 90

Where retailers plan to invest in the next two years

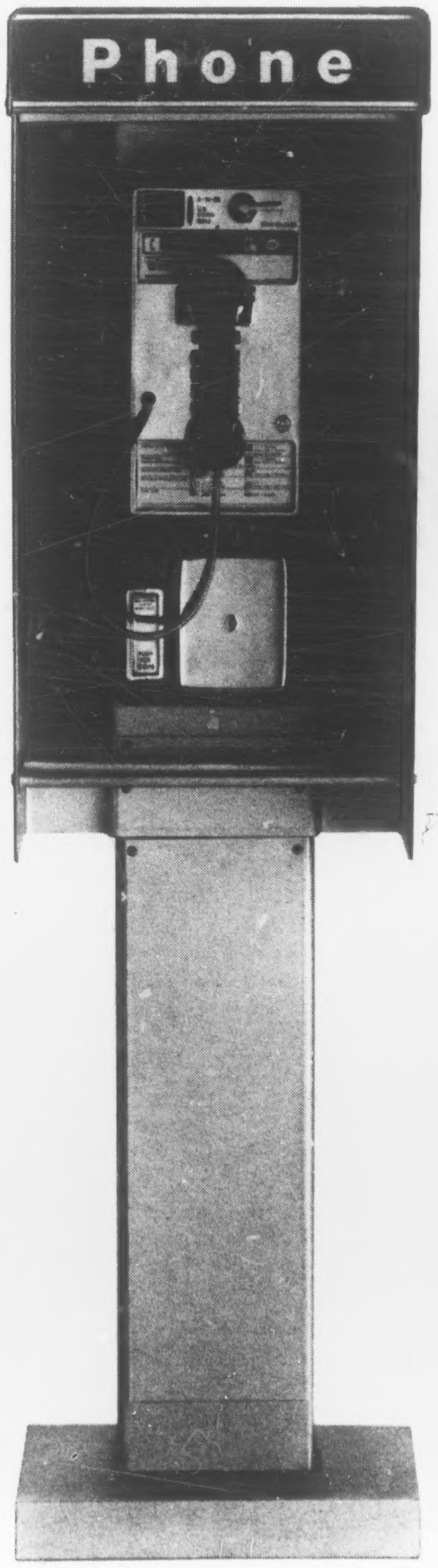
PHOTO	%
Photofinishing	71.4
Film	42.9
Cameras	14.3

Source: *Drug Store News* 1989 General Merchandise Survey

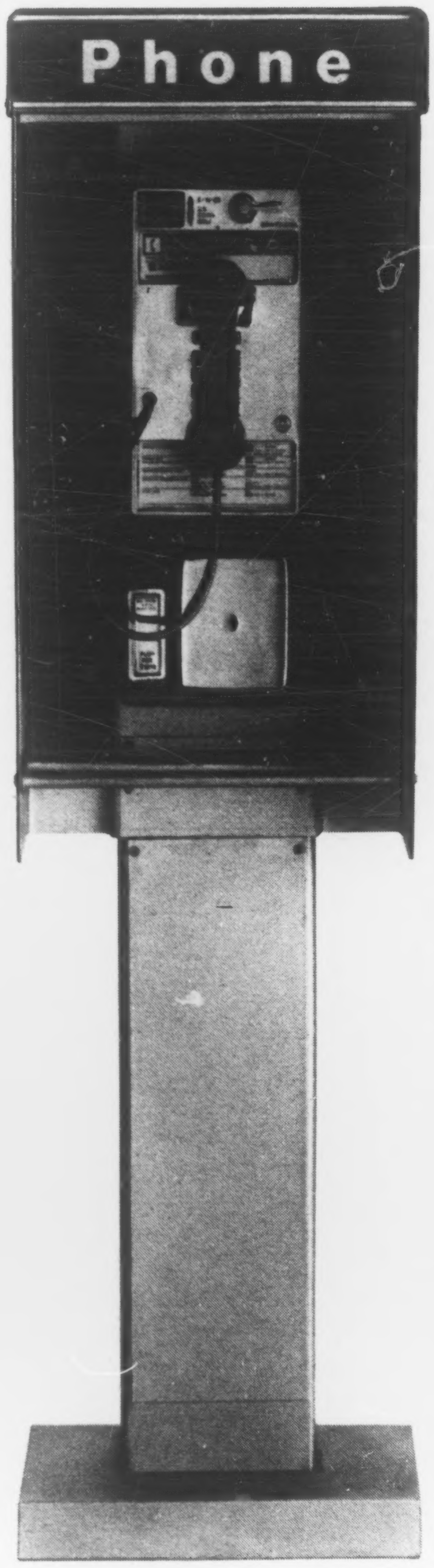
Top two sales drivers: PHOTO

Film
a. Heavy manufacturer advertising
b. Sharp pricing
Photofinishing
a. In-store service
b. Extensive chain promotions

Source: *Drug Store News* 1989 General Merchandise Survey



AT&T
LONG DISTANCE
SERVICE



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Amateur shutter boom lures new film entries

The boom in amateur 35mm photography continues to spur new product introductions in the film category, as manufacturers exploit niche marketing opportunities.

The new entries are forcing retailers into some new space management decisions, but with film sales up nearly 11 percent in drug chains last year, the additions may earn their space.

In *Drug Store News*' recent survey on general merchandise categories, chain drug retailers ranked film fifth in gross profit dollars generated, third in level of vendor support, and second in space efficiency among all general merchandise items.

Thus, it comes as no surprise that most drug chains, including Perry, Rite Aid, Walgreens and Rix-Dunnington, are making a stronger statement in film than they used to—either through added shelf space, a more prominent front end position, or with a secondary location in the store.

The growth in sales comes from both "push" and "pull" forces. On the "pull" side, consumer demand is way up as low-priced 35mm cameras bring quality photography into the reach of virtually all amateur shutterbugs. According to Walgreen Co., the number of pictures developed annually per household has shot up 52 percent in the past decade.

On the "push" side, Kodak has upgraded and overhauled its entire 35mm print film line with its Kodacolor "Gold" series; Fuji has unveiled its higher-resolution Super HR film series; 3M has launched its Scotch brand line; and Agfa has attempted to crack the mass market with its own line.

Most recently, Polaroid has gone directly after the casual 35mm shutterbug with its new OneFilm. Launched in April, OneFilm is being marketed as an all-purpose, decision-free film designed for point-and-shoot photographers.

Photofinishing

Continued from page 88

focal points of the new store prototype boosted photofinishing sales 12 percent last year, according to president David Schwartz.

"We have emphasized photo processing where today's time-conscious customer has the option of self-service or being assisted by a photo processing expert," said Schwartz recently.

Genovese Drug Stores recently turned around a moribund photo department by bringing in Dave Reynolds, a photofinishing wholesale veteran, to head the department.

"We didn't post the kind of gains we wanted in the last couple of years, but we've gotten much more aggressive in promoting the category in the past few months," said vp, corporate secretary and director of marketing Don Gross. "Dave has been setting up the program the way he wants it to be run."

Reynolds told *Drug Store News* that unit photofinishing growth in the chain's first two stores to be equipped with Noritsu minilabs exceeded 60 percent over the past year; the chain has a third minilab in its central processing facility.

Special program

At Arbor Drug, photo remains a key category thanks to its "Picture! Picture!" program, which offers two prints for the price of one and guaranteed overnight delivery. Photofinishing and film sales were up 9.6 percent to $18.2 million at Arbor in the last fiscal year, for 7.4 percent of total store volume.

Arbor has maintained its momentum by offering larger prints and promoting volume discounts through its "Picture! Picture! Club."

In short, drug chains are staying viable in the photofinishing game by offering quality, speed and convenience, and by marketing those advantages aggressively. Print quality, in particular, has been on a constant upswing for drug chains in recent years in response to the general upgrading of amateur photography to the 35mm level.

The move to high-quality developing is right in line with consumer demand. According to the PMA's 1988 Consumer Photographic Survey, picture quality was the single most important reason for choosing a particular outlet for photofinishing. Price was ranked only fourth in importance, behind "certainty that the film will not be lost or damaged" and "speed of processing."

A general, industry-wide speedup in processing time has also been a big plus for drug chains. Many drug chains—including Walgreens, Arbor and SupeRx Corp.—now offer routine next-day service through in-house labs or nearby wholesalers.

Mini-labs are partly responsible for the speedup in processing time by all competitors, says the PMA in a recent report.

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#1 In just 5 months of distribution in 1988, CigArrest ranked #111 in Drug Chain O-T-C dollar volume sales based on a leading independent survey.

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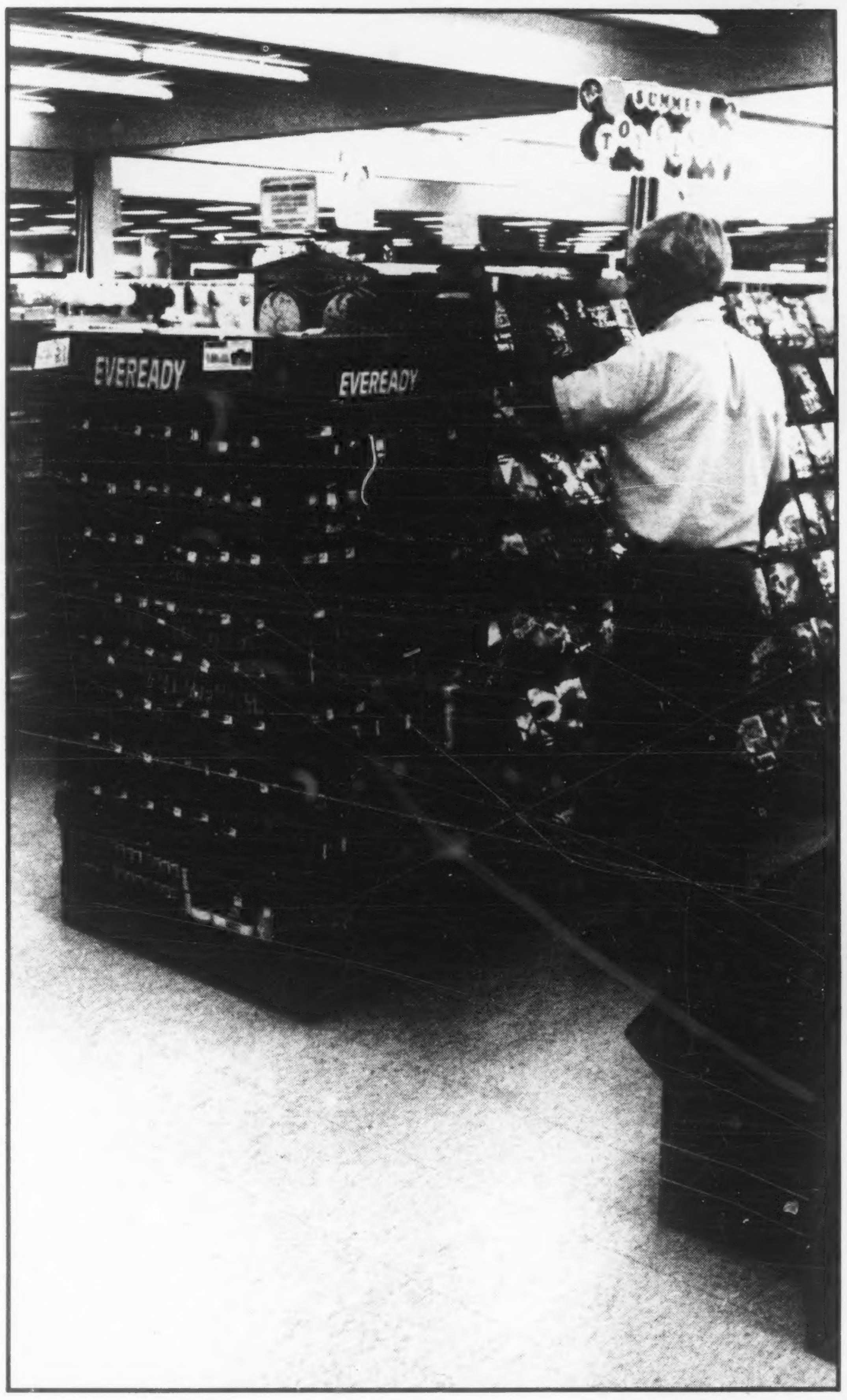
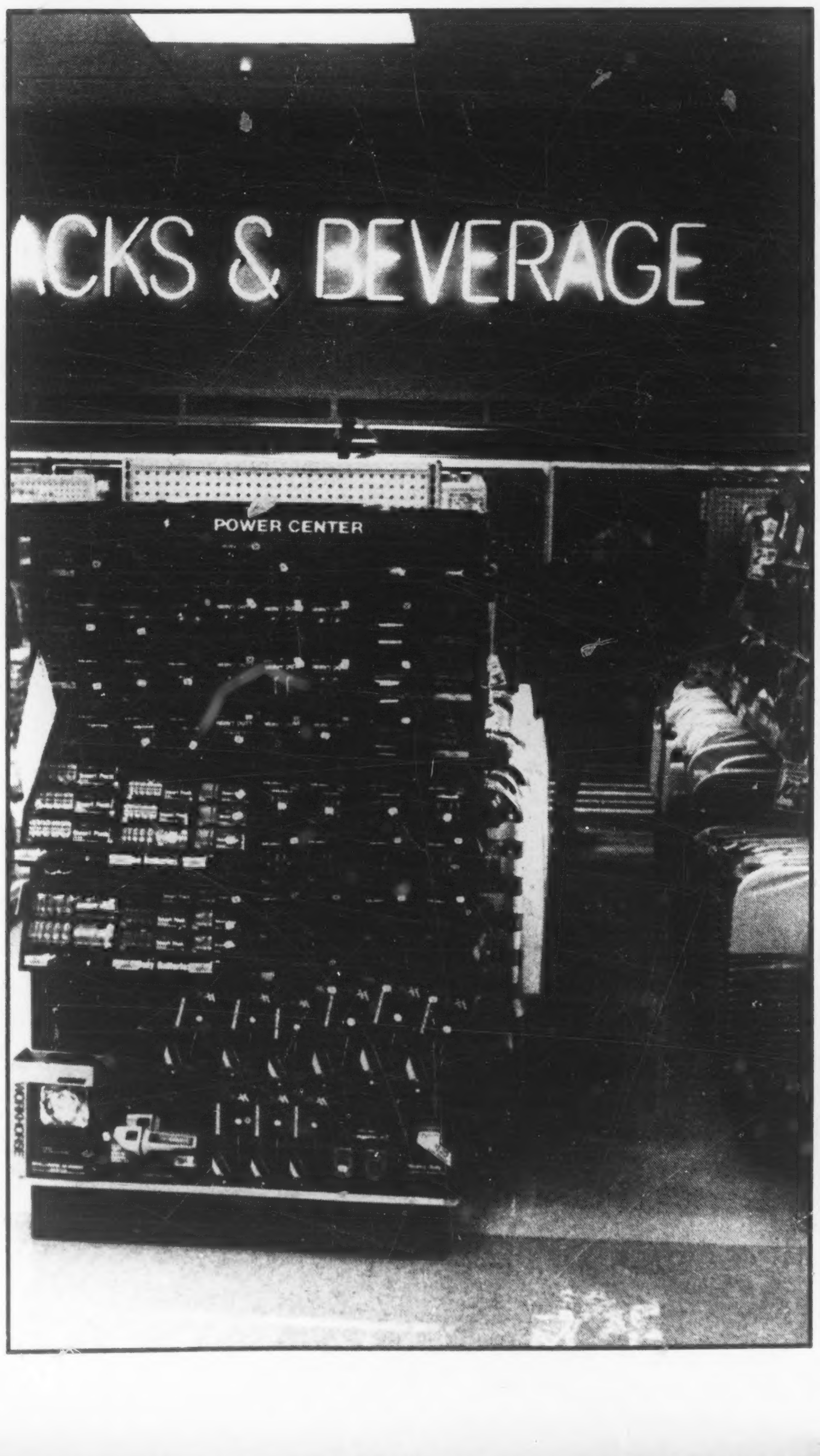


Batteries are a high turn, promotion-driven impulse category aggressively sought by drug chains and combos. Smitty's in Phoenix, above, and SupeRx of Arizona, below, each use endcap displays to maximize visibility. Both also cross merchandise flashlights on these racks.



Drug chains hoping new promotions will stoke audio and videotape sales

Video
RENT 3-GET 1 FREE
When the HITS are NOT
CASIO
ACQUA

For drug chains willing to invest in pre-recorded videotape inventories, the rental business is a strong traffic producer and opens up some high-impulse cross promotions such as snacks. At Lewis Drug in Sioux Falls, S.D., video rental anchors consumer electronics and is driven by a rent three get-one-free promotion of current titles.

Drug chain buyers anticipate that new merchandising systems being introduced by vendors might help sell more profitable, higher-grade tapes. This would be a welcome addition to the category, which has become promotion-driven in the swell of a seemingly relentless tide of price cuts by discounters.

First out of the block is Scotch's new Easy Selection system, in which clearly labeled packaging defines the most appropriate uses of different tape grades.

Other manufacturers are said to be developing similar systems. Calls to retailers showed that they feel it is premature to comment on the full impact of such a packaging concept.

It could help restore enthusiasm for a category in which some drug chains continue to do very well and others have seen slow down somewhat in recent months.

Genovese Drug in Long Island has achieved strong category sales growth by displaying in a self-service video section and on endcaps, and by promoting video and audio tapes in circulars and fliers every two weeks.

The 90-store chain will strengthen its image in electronics with a broadened department that will include 8mm and camera videocassettes to meet demand among camcorder users, said buyer Lenny Genovese.

Sid's Get It For Less in Rocky River, Ohio also gains "excellent" sales with 17 percent markups. Standard-grade tapes promoted "four or five times" a year at $1.99 and $2.99 draw traffic from the store's relatively low-income trading area, says store manager Jim Scarl.

However, at Kinney Drug in upstate New York, buyer Jerry Houghton is paring redundant SKUs, going down from five brands to two. To create excitement for blank videotapes, Houghton promotes standard grades at $3.39 to $3.69. Less often, he promotes high grades, which yield better margins and generate transactions that are larger by $1 to $2.

At Memphis-based SuperD circular ads drive the category. "We're not experiencin any great increases in sale but we're not below last year, said Gene Bailey, a buyer a M&H Distributors, SuperD tape supplier. He said th drug stores have to promot because Wal-Mart and K mar feature endcap promotions almost weekly.

"We try to promote them [multipacks of three and five] once a month at least, and a couple of times during the fall season," said Bailey.

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Where retailers plan to invest over the next two years: CONSUMER ELECTRONICS

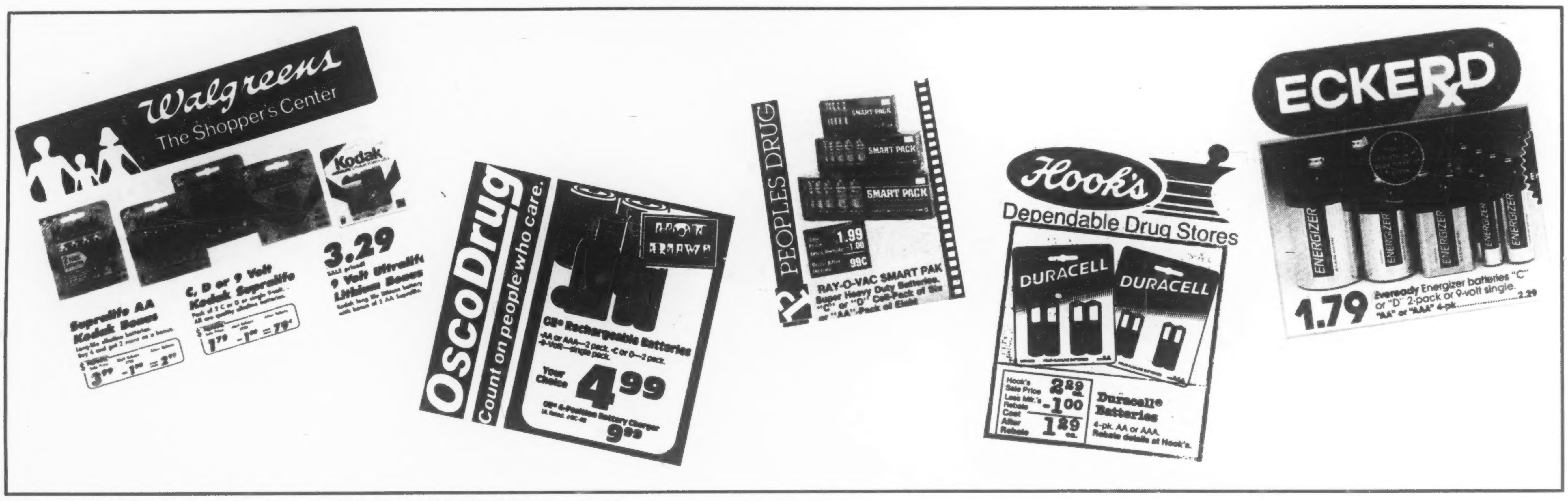
Batteries	19.1
Video rental	19.1
Blank Tapes	14.3
Portable Audio	9.5

Source: *Drug Store News* 1989 General Merchandise Survey

Top two sales drivers: CONSUMER ELECTRONICS

Blank Tapes
a. Sharp pricing
b. Extensive chain promotions
Batteries
a. Heavy manufacturer advertising
b. Strong in-store presentation
Video Rental
a. Heavy manufacturer advertising
b. Extensive chain promotions

Source: *Drug Store News* 1989 General Merchandise Survey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Many chains promote batteries monthly as traffic builders.

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Young adults buy largest number of blank tapes

"Mixed tapes" of recorded music are regarded as personal signatures by young people, who view them as projections of their personalities. Such personalized tapes, often loaned to friends, help account for the large percentage of blank audio cassette tapes sold to 16-to-24-year-olds, a study commissioned by Fuji Photo Film USA concludes.

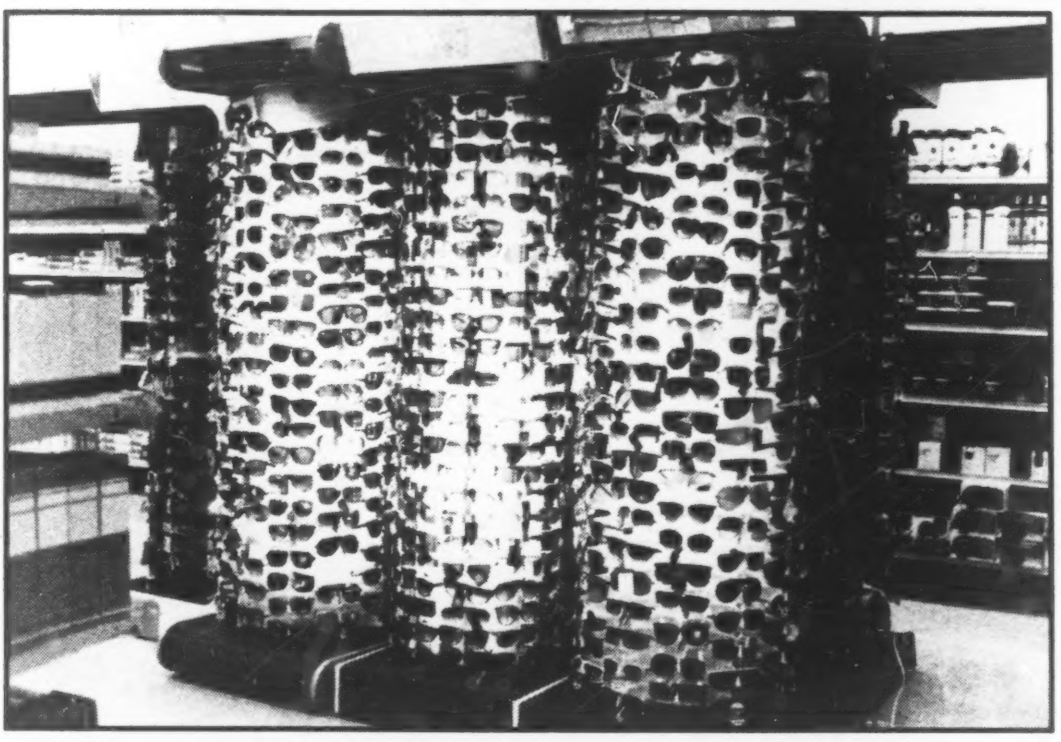
The survey is based on a national telephone poll of 600 consumers, which was conducted by Kane, Parsons & Associates.

This age group accounts for just 19 percent of the total U.S. population, but 27 percent of blank audio cassette users, and 25 percent of heavy users. (Heavy users purchased an average of 23.7 audio cassettes last year, compared with a 9.3 purchase by the average consumer, the study said.) The Electronics Industries Association estimates this category has already reached $354 million sales, or 366 million units, in 1988.

Other study findings

The study also concluded that:

- Consumers in upper-middle and upper-income households represent 48 percent of blank audio tape purchasers, and 56 percent of heavy users.
- Men, on average, buy 17 percent more blank audio tapes than women.
- Cassettes are used most often to record from radio—by 48 percent. Forty-one percent make frequent recordings from records, 37 percent from other cassettes, and 12 percent from compact discs.
- On average, 49 percent of all cassette buyers purchase three cassettes at a time.
- Ninety-minute high-quality tapes are preferred. Sixty-one percent of blank audio tape users purchase high quality (high bias and metal) tapes.



Lighted spinner racks give sunglasses visual appeal at this Drug Emporium, where they are displayed in a center store aisle to capture high traffic sales.

New labels add health appeal to sunglasses' fashion image

The Food and Drug Administration last month announced a new voluntary labeling system that will show OTC sunglass buyers how much protection they'll be getting from their sunglasses against ultraviolet sun rays. Now, along with a fashion image, drug chains can promote sunglasses more aggressively as a health-oriented product.

In conjunction with the Sunglass Association of America (SAA), the FDA said the uniform information will tell consumers how much protection they'll be getting from both UVA and UVB rays.

Dave Duarte of the FDA said each sunglass manufacturer will phase the labeling into their product mixes "as they deem it appropriate." He said, "Many manufacturers have already labeled their lines for this summer." Duarte noted that this is a voluntary effort by sunglass manufacturers, some of whom already have attached to each pair of sunglasses the amount of UV light that's absorbed.

The new labeling system may clear up some of the confusion shoppers have when selecting a pair of sunglasses, and in turn may boost unit sales over 20 million, which was the total number of sunglasses sold in drug stores last year. SAA estimates also report that drug stores racked up $180 million in sunglass sales in 1988, and during that time drug store consumers paid an average of $9 a pair.

It remains to be seen whether this new system will have an impact on the way sunglasses are merchandised at drug stores. Until now, most buyers say the category is driven by fashion.

In Minnesota, Snyder's Drug Stores sells sunglasses year-round at $5 to $25 retails.

Fashion statements

Susan Lund, buyer, said, "There will always be someone who will buy the less expensive pair of sunglasses, but for the most part consumers are buying sunglasses with fashion in mind." She pointed out that the matte black and neon colored rubber frames by Foster Grant are the best sellers so far this year.

In Washington, John Weith, buyer at Bartell, said sunglass sales are strong, and "with the sunny spring we're having, we hope the category will continue to be strong." Weith called the rubber bendable frames "innovative." Bartell takes advantage of sunglasses' fashion spin by displaying their racks near cosmetics in some stores.

A buyer for a New England drug chain said sunglasses are style-driven at his stores as well. "We have an affluent customer base who will buy a pair of sunglasses with style in mind more than price," he said, noting tortoise shells and metal frames are popular.

In upstate Gouverneur, N.Y., Kinney Drugs buyer Elaine Matot has also noticed brighter colors as a fashion trend for sunglasses.

Top two sales drivers: SUNGLASSES

a. Broad assortment
b. Sharp pricing

Source: *Drug Store News* 1989 General Merchandise Survey

Where retailers plan to invest in the next two years

SUNGLASSES 14.3%

Source: *Drug Store News* 1989 General Merchandise Survey

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Selling toys isn't kid's stuff; category important for growth

Drug chains like Kerr, above, have found that high-impulse, fast-turning products are the key to success in toys. Most drug chains sidestep fads, noting that they'll inevitably turn into markdowns.

Toys have earned the respect of many drug chain buyers, according to *Drug Store News'* 1989 General Merchandise Survey. Three out of four polled indicated the category will play a significant role in their growth plans, naming it as "very" or "moderately important."

They recognize their space constraints, and have developed ways to build profitability in toys without butting heads against Toys 'R' Us and other specialty superstores. By emphasizing high-impulse, fast-turn items, and sidestepping fads that inevitably turn into markdowns, many drug chain operators find toys very profitable.

Where retailers plan to invest in the next two years

TOYS 23.8%

Source: *Drug Store News* 1989 General Merchandise Survey

Toys, of course, also appeal to shopping families, whom retailers covet, and fill needs as outlets of convenience for last-minute gifts for children.

"The day-in and day-out business is in the under-$5 price point," said Affiliated/Associated toy buyer Richard Glassman.

By using a program from a vendor like Imperial, Gordy, Jak-Pak, Ja-Ru or Larami, a chain can display 12 to 24 feet of pegged goods, he added. Unlike fad toys, where markups are minimal because so many retailers sell them, pegged toys generally deliver a 50 percent margin.

At Bill's Drug in California, for instance, pegged toys account for more sales dollars than boxed toys, vp-merchandising Gene Bass said. Although Bill's will stock some of the hot toys, Bass said "It's not what draws our volume."

While customers may not see Bill's as a destination point for toy shopping, he said the chain picks up sales because of convenience. The category also benefits from adjacency sales and is especially strong during prime seasons such as summer and Christmas.

Low-end items good sellers

Bass added that with low-priced items like pegged toys, the category gives harried parents a fairly low-cost way of keeping a child happy on a shopping trip.

Bass's comments neatly sum up the sentiment of chain retailers in other regions as well. Of course, larger format stores such as Pay Less NW or Phar-Mor can deliver the space to make a greater presence in the category, especially during peak seasons.

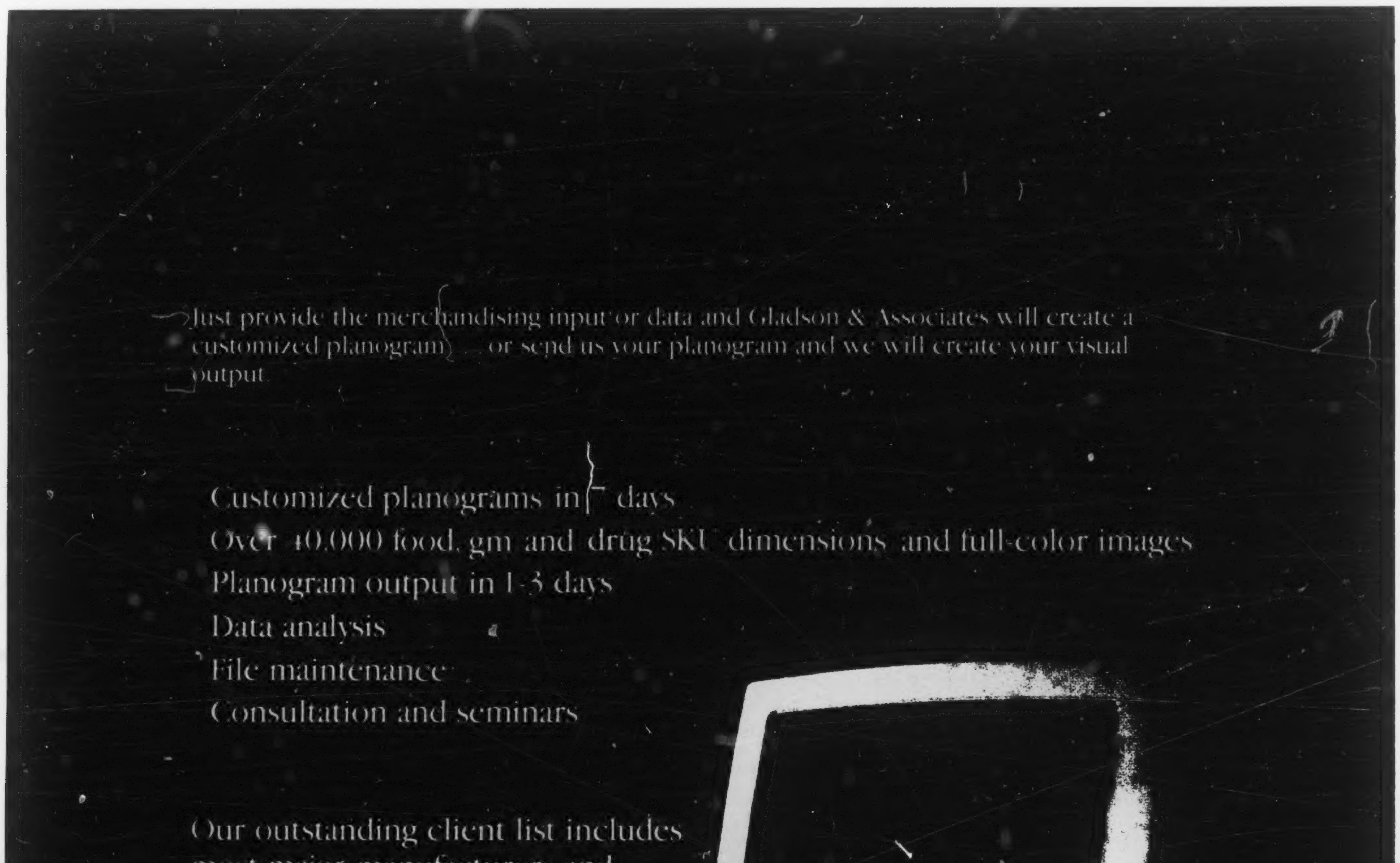
In selected drug store markets patronized by affluent consumers, operators are taking advantage of opportunities to sell high-ticket Nintendo cartridges as high as $49.95. They enable stores to build profits and satisfy a broader range of free-spending consumers.

At one chain, Austin Drugs on Long Island, game cartridges are displayed behind locked glass cases at the front-end. To buy one, a manager must be called to unlock the case; then he carries the cartridge to the cashier for the customer to pay.

Top two sales drivers: TOYS

a. Heavy manufacturer advertising
b. Strong in-store presentation

Source: *Drug Store News* 1989 General Merchandise Survey



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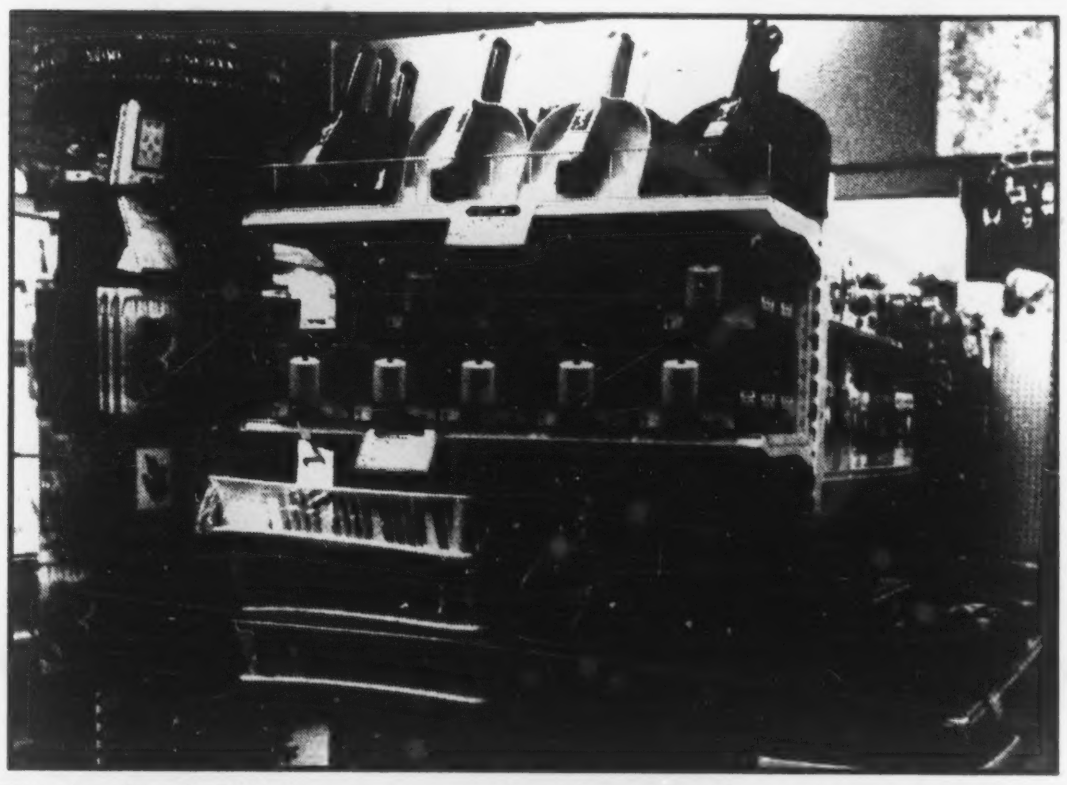

Basic plastic kitchenware and cleaning supplies cater to dorm students who shop at Campus Drug, Minneapolis.

Chains develop various approaches as housewares easily pays its way

In their moves to reassert their primary roles in health and beauty care, drug chains haven't abandoned housewares. The sprawling category—which encompasses everything from kitchenware and accessories to clocks, cleaning supplies and high-ticket electric appliances—is just too important to pass up, even in the era of back-to-basics.

Together, the products under the housewares umbrella churn up more than $2 billion at drug chain registers. That makes housewares the fifth-largest contributor to overall chain drug volume.

Nevertheless, the approaches taken by the chains to the category seem as varied as its definitions. Large-format stores, such as deep discounters, have the luxury of taking a broader approach. Phar-Mor is a good example: the chain began devoting a full power aisle in the center of store layouts two years ago, with successful results.

"In some stores, the configuration is different, but we still have a major commitment to housewares," said Phar-Mor spokesperson Carol Robinson. "We do a tremendous job with Rubbermaid, and also with domestics, closet organizers and gadgets."

In a far different, upscale prototype, Fantle's bucked the back-to-basics trend with a sizeable housewares mix, including kitchen appliances.

Chains fielding smaller-format stores, such as Thrift Drug, tend to take a more conservative approach in housewares. "It has always been and will continue to be strictly a convenience category for us, and we'll give it full play only in larger stores where space allows," said Tom Kutosky, vp and general merchandise manager for Thrift.

"On the other hand, we continue to keep an open mind about the category, and we do send buyers to the Housewares Show. We always find something at the show that will make the trip worthwhile, but we handle it on an in-and-out basis."

Given their size advantage, supermarkets and combo stores have also done well with housewares. Said Dick Lientz, director of general merchandise at Publix in Florida, "Some of our best performers include Rubbermaid storage products. I can't tell you enough how successful these items have been."

Just what constitutes housewares? "The world of housewares includes a diversity of products which have become practical as well as decorative necessities and conveniences of one's home living environment," noted the National Housewares Manufacturers Association in a recent report.

Where retailers plan to invest over the next two years: HOUSEWARES

Personal care	28.6%
Household chemicals	19.1
Microwave cookware	14.3
Rubber/plastic storage	14.3

Source: *Drug Store News* 1989 General Merchandise Survey

Top two sales drivers: HOUSEWARES

Household chemicals
a. Heavy manufacturer advertising
b. Sharp pricing

Personal care
a. Extensive chain promotions
b. Sharp pricing

Microwave cooking
a. In-store service
b. Extensive chain promotions

Source: *Drug Store News* 1989 General Merchandise Survey

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INDIANA

Keltsch Bros., Inc., 4101 N. Clinton St. Fort Wayne 15 46805
Telephone: (219) 482-1510
Product Lines: Apparel; Baby Needs; Bathroom Safety Eqpt; Blood Pressure Units; Books; Cameras; Candy; Consumer Electronics; Convenience Foods; Cosmetics; Crutches/Canes/Walkers; Diabetes Testing Eqpt; Drug Sundries; Ethnic HBA; Film; Games; Giftware; Greeting Cards; Hair Care; Hardware; Home Health Care; Home Paper Prdts; Hospital Beds; Hswe; HBA; Jewelry; Lawn & Garden; Liquor; Medical/Professional Supplies; OTC Drugs; Personal Appl; Personal Care; Pet Supplies; Photo; Physical Therapy Needs; Rx; School Supplies; Seasonal; Sm Appl; Snack Foods; Soft Drinks; Stationery; Sunglasses; Tobacco; Toiletries; Toys; Video Tapes; Wheelchairs; Wine.
Sales: $22,000,000 (1988 Co. Est); $21,000,000 (1987 Co. Est)
% Sales In Pharmaceuticals: 30
% Sales Home Health Care Needs: 1
% Sales HBA: 8
Number Of Prescriptions Filled Daily: 2,250
Number Of Stores: 15 (15 Rx)
Sales Per Square Foot: $108
Store Prototype Size(s): 12,000 sq. ft.
Store Name(s): Keltsch Pharmacy
Computerized Rx: Yes (15 Stores)
Association Membership: Affiliated Drug Stores, New York, NY
Primary Wholesaler(s) Pharmaceuticals: Louis Zahn Drug Co., Melrose Park, IL
Primary Wholesaler(s) General Merchandise: Louis Zahn Drug Co., Melrose Park, Il
In-Store Foodservice: Yes (1 unit)
Video Rental Depts: Yes (Leased)
Scanners: No
Private Label Non-Foods: Yes
Packaged Liquor: Wine/Liquor
Year Founded: 1928
Operates Stores in the following States & Counties:
INDIANA—Allen, De Kalb, Wells.
DONALD R. KELTSCH—President, GM, Operations, Real Estate Mgr.
MAURICE C. KELTSCH—ExVP.
CLYDE LEEDY—Treas.
RICHARD KELTSCH—Dir, Mdsg, Store Planning, Mgr, Adv & Sales, Buyer, Hswes, Electrical Goods, Hdwe, Toys & Wheel Goods, Lawn & Garden Supplies, BBQ Equipment, Picnic Supplies, Apparel & Soft Goods, Fixtures, Tobacco, Candy, Cameras.
STEVE RUBIN—Mgr, Distribution Center.
JOHN WOENKER—Head Pharmacist.
MARILYN PHELPS—Buyer, Toiletries & Cosmetics, Paper & Stationery, Giftwares.
ROBERT FAHRENBACH—Buyer, Video Tapes, HBA, Photo Supplies.
KAREN BUTLER—Buyer, Gifts.
LEE THEABALD—Buyer, Drugs, Pharmaceuticals.

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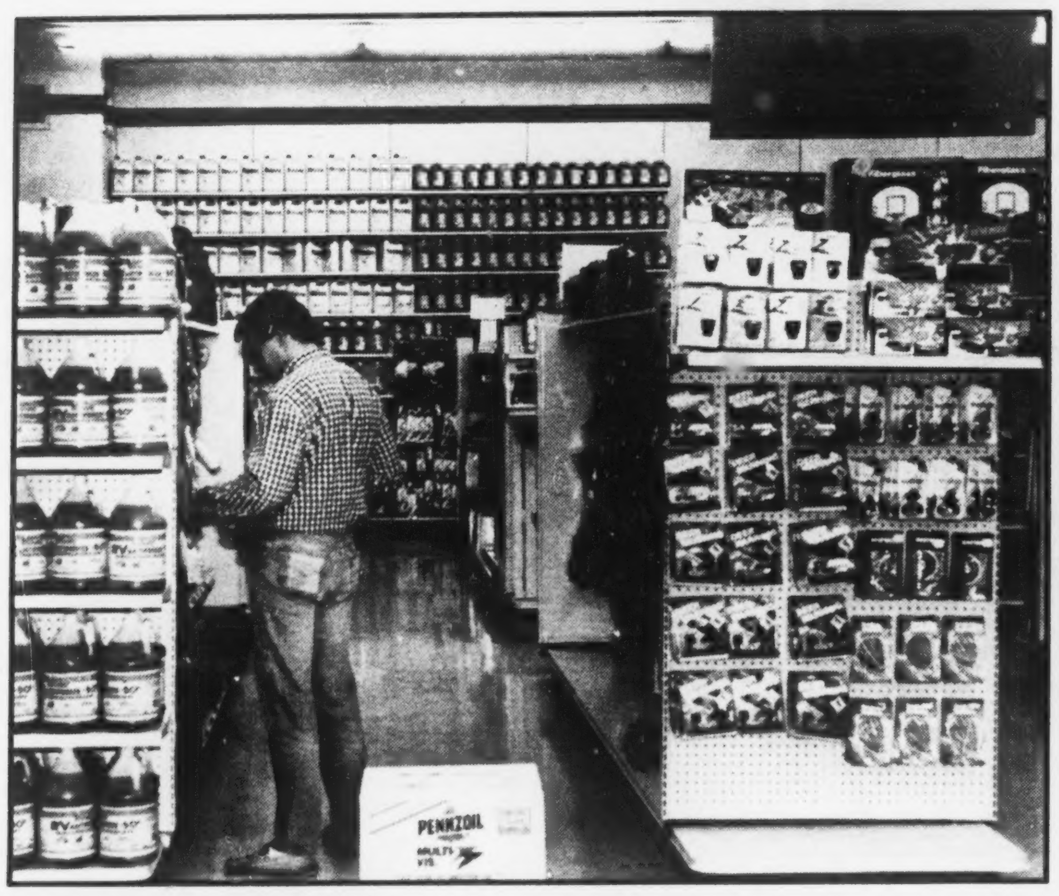


Lewis Drug, Sioux Falls, S.D., has a large general merchandise presence to satisfy its local market. Above, broad automotive assortments serve functional car care needs as well as novelty items. At right, home repair sign hangs above to clearly identify basic hardware, paint and home products.

Drug chains fine-tune mixes and promote steadily

Automotive and hardware, considered to be simply a convenience for customers by many drug store operators and an essential in larger-format stores that cater to a broad customer mix, continue to play an important role in the growth plans of drug stores nationwide.

About three-quarters of drug chain executives surveyed by *Drug Store News* indicated that automotive and hardware will definately be part of their future mix, although the categories' roles will vary both by market and by store format.

Even when space is severely limited, merchants generally find promotional space for the categories several times a year. Other large stores such as deep discounters and superstore formats can make a greater presence.

Chain buyers overwhelmingly said that the key to selling both categories successfully within the drug store environment is to not merchandise for the serious hardware or automotive shopper, but cater instead to the typical drug and health and beauty aids customer.

"You can't be everything to everybody," said Roger Musil, Snyder Drug Stores' automotive and hardware buyer.

At Snyder, both categories are covered primarily with convenience items like do-it-yourself supplies and tools, adhesives, electrical supplies, car chemicals and waxes, motor oil and antifreeze.

By fine-tuning the mix, chains such as Perry Drug Stores can attain sales targets from about 30 items, a chain spokesperson said. Even at that, the chain's mix has enough variety to allow for non-repetitive promotional opportunities.

Promotions are particularly important toward building Kerr Drugs' automotive sales, where special in-store 30-day price reductions often highlight the category, said Dan McAllister, automotive and hardware buyer.

Considerable vendor support also plays a role in reving automotive and hardware sales at drug chains. Merchants also look to distributors to help them select the most popular SKUs and educate them on new products.

Some drug store executives, such as Gene Bass, vp-merchandising at Bill's Drug in California, feel that the advent of 30-minute quick lube service operators and auto aftermarket specialty stores limit the impact that conventional drug stores can have in these categories.

The result at Bill's: occasional special promotions on motor oil and selected other items that are frequently replenished and highly identifiable.

Where retailers plan to invest in the next two years

HARDWARE 4.8%

Source: *Drug Store News* 1989 General Merchandise Survey

Where retailers plan to invest in the next two years

AUTOMOTIVE 9.5%

Source: *Drug Store News* 1989 General Merchandise Survey

Seasonal products often mean large transactions. Barbecue grills priced up to $129.99 are shown on high-visibility racetrack stack display at SupeRx, Scottsdale, Ariz.

Where retailers plan to invest in the next two years

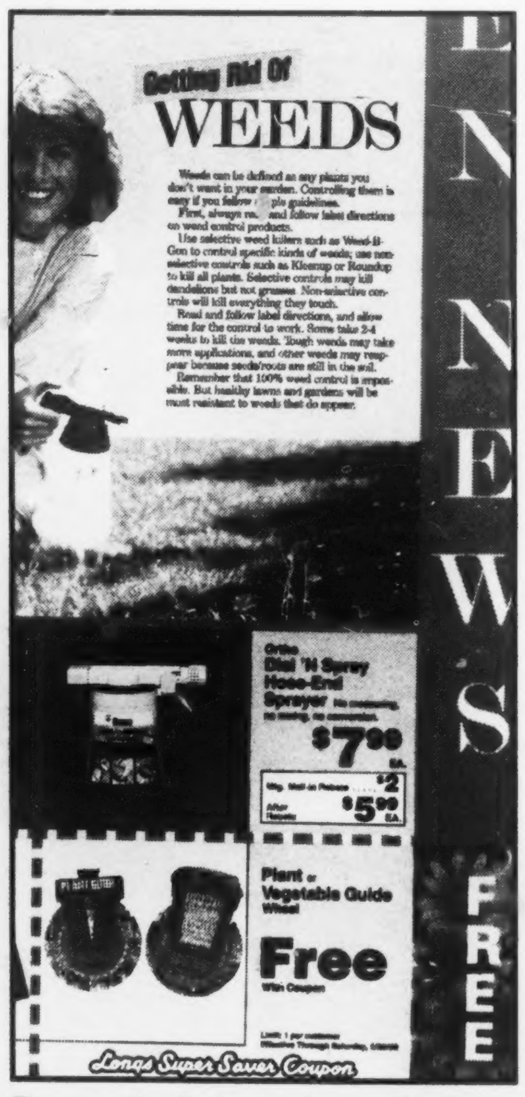
SEASONAL 47.6%

Source: *Drug Store News* 1989 General Merchandies Survey

Top two sales drivers: SEASONAL

a. Broad assortment
b. Extensive promotions

Source: *Drug Store News* 1989 General Merchandies Survey



Drug chains such as Longs take advantage of seasonal merchandising opportunities to develop high-margin sales and attract a broad range of customers who are likely to make multiple purchases while in their stores. Theme ads are particularly effective, especially when linked with product giveaways, coupons, and manufacturer rebates.

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Vol. 4/No. 6 The News Journal of Retail Pharmacy
Published by Lebhar-Friedman Inc./June 26, 1989

Patient savings drive dispensing of generic drugs

NEW YORK — Creative incentives and lucrative rebate programs mean little when pharmacists decide whether to purchase or substitute one generic product over another; but how much pharmacists can save customers by dispensing a particular generic over a branded product is quite another matter.

GeneRics
1989
Substitution
Survey

Inundated by the number of generic companies that have sprung up over the past several years offering AB-rated generic substitutes for some costly branded items, chain and independent retail pharmacists are making their purchasing choices based on many factors. According to *Drug Store News/ Inside Pharmacy's* 1989 Generic Substitution Study, incentive and rebate programs apparently aren't influential. The study uncovered that pharmacists are primarily concerned with cost savings for their customers when a generic is substituted for a branded drug, regardless of how lucrative a deal, based on incentives and rebates, they can make with a particular generic house.

According to the study, pharmacists practically ignored incentives and rebate programs offered by some generic companies that encourage pharmacists to buy their products over the competitors; instead, the pharmacists gave relatively high marks to the cost savings for their customers. The professional reputation of the generic company also figured heavily into their buying practices.

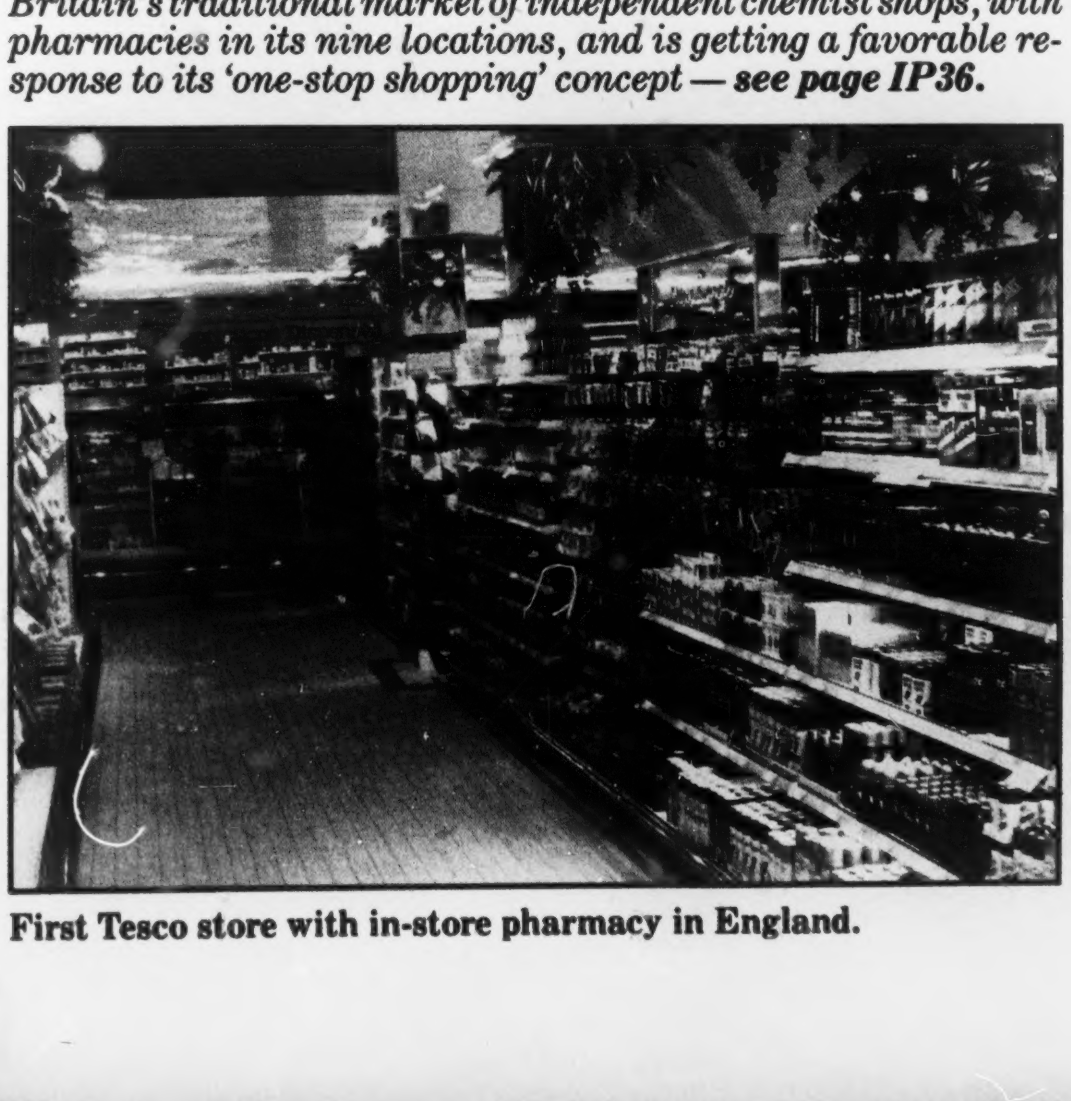
Throughout the survey, pharmacists reiterated their concern about the therapeutic effectiveness and bioavailability of products sold by generic companies, as well as their stock availability and how those generics can bring improved profits to their bottom line.

To a lesser extent, the pharmacists answering the survey said that store or company

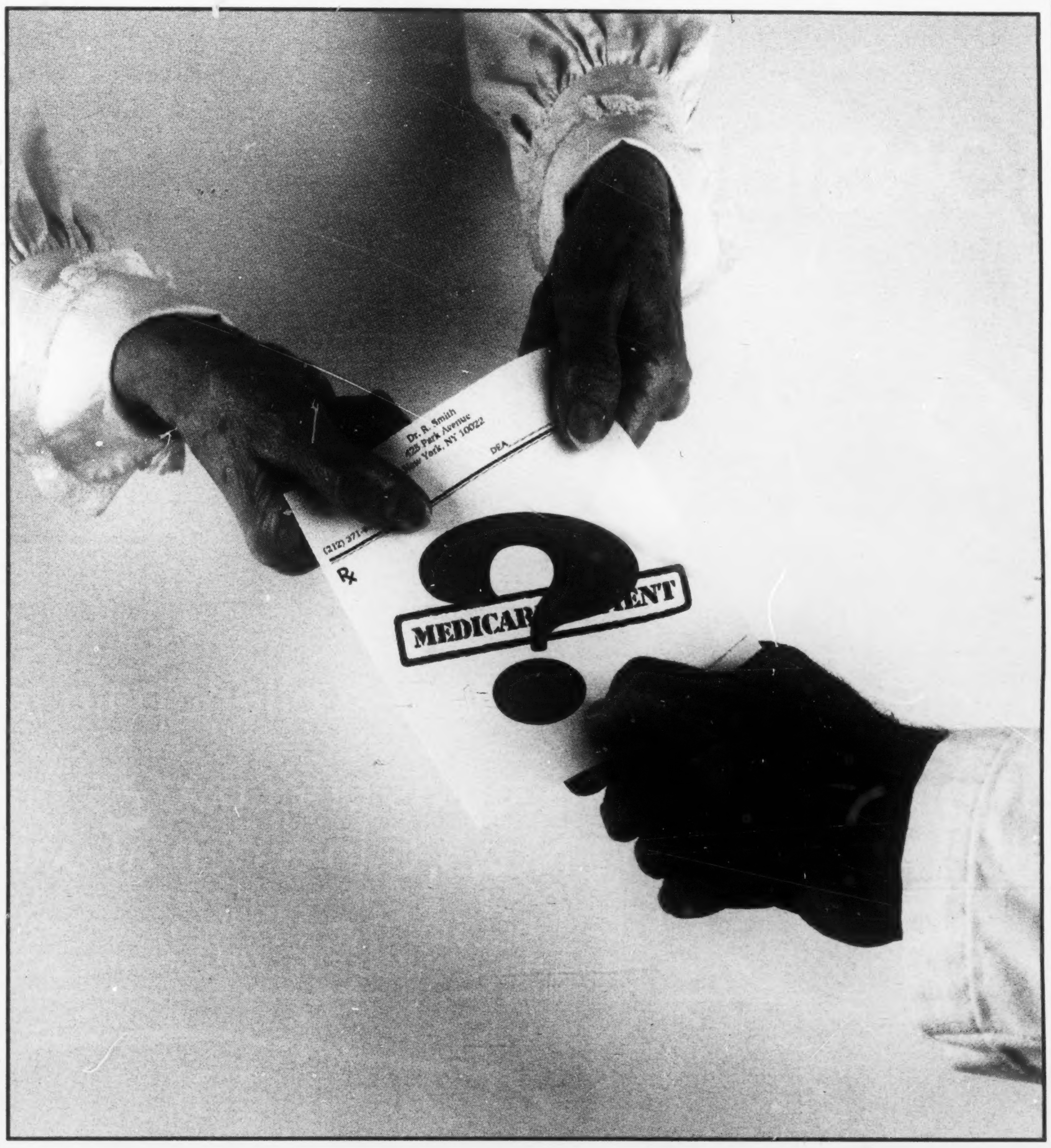
Continued on page IP27

British say 'good show' to supermarket pharmacy

The Tesco supermarket chain is making inroads in Great Britain's traditional market of independent chemist shops, with pharmacies in its nine locations, and is getting a favorable response to its 'one-stop shopping' concept — ***see page IP36.***



First Tesco store with in-store pharmacy in England.



New elderly Rx plan faces big headaches

By Susan Ball

NEW YORK — One and a half years from now, on Jan. 1, 1991, the outpatient drug program of the Medicare Catastrophic Coverage Act is scheduled to be off and running. The program, referred to by one health care professional as "the largest drug program in the world," will have far-reaching effects not only on the nation's elderly but on retail pharmacy.

When it begins, the new program will extend coverage to some 30 million Americans, who, it is estimated, will consume about 720 million prescriptions a year.

Because the law mandates making a point-of-sale electronic claims processing system available to all participating pharmacies, the program will trigger what Stephen W. Schondelmeyer, associate professor of pharmacy administration at Purdue University's pharmacy school, called "a quantum leap in prescription claims processing technology."

But whether the program breaks out of the starting gate at full speed or is hobbled with Star Wars-scale problems depends in part on the dialogue going on now among government officials, pharmacy groups, computer technicians and a host of other affected groups aimed at making the system work.

The Department of Health and Human Services (HHS), specifically HHS's Health Care Financing Administration (HCFA), is charged with implementing the Medicare drug program.

"HCFA has a monumental task," said one authority on the program. "HFCA has had oversight of other programs, but it has never developed one itself; it's going from zero to the top, and few people in or out of the government have much experience in doing this. The POS system for the Medicare program creates major

Continued on page IP17

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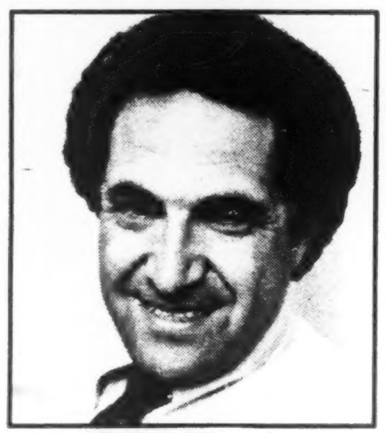
Vol. 4, No. 6 June 26, 1989

Generic study has important lessons



COHEN'S CAPSULES

HAROLD COHEN

By now you've probably seen the results of our annual generic substitution study. If not, go back and read it; I'll wait. . . Okay, now that you've read it, what do you think? No surprises, you say? Maybe. But if you ask me, the study has some important messages for both generic and branded drug manufacturers.

One of the first books I ever read about the pharmaceutical industry was for a high school term paper I was writing. I can't remember the exact name of the book, but something like "Black Market Medicine" stands out in my mind. The name isn't really important, but when I think back to the '60s, the content of that book made a big impression on me.

The book was about generic drugs and the unethical way some of them were manufactured. One passage I remember distinctly told how some generic companies sweep up the pharmaceutical dust that remains after the punching of the tablets and it's put back into the hopper to be used as an active ingredient.

Looking back some 20 years, I realize now that the book was probably full of exaggerations like that. Or was it? After reading that book, I was led to believe that generics were taboo, and anyone taking them was committing pharmacological suicide.

While the contents of that book may seem preposterous and even a bit humorous to some today, there are still people, including many professionals, who hold to the notion that generics just aren't the same as branded drugs. I am not here to debate that question. I'll leave that up to the FDA. However, credit must go to generic manufacturers who, over the years, have successfully overcome stigmas attached to generic drugs. But to be fair, they had a lot of help.

As third-party programs began to really take hold of the pharmaceutical marketplace in the mid '70s, generics presented an opportunity to cut costs. The government immediately embraced generics and issued its now infamous Maximum Allowable Cost (MAC) list. Basically this list dictated to pharmacists what they could expect to get reimbursed from the government for certain branded drugs that had what the government believed to be suitable generic substitutes.

And so the generic onslaught started. It seems like overnight, generic companies began to spring up. Pharmacists were inundated with catalogs, telemarketing and even personal sales calls from generic houses that promised to have the most comprehensive line of products but often couldn't deliver the goods because of severe out-of-stock conditions in their warehouses. As the third-party prescription industry grew, the number of companies became greater and the availability of product improved as well.

At first, both retailers and consumers were skeptical about generics. In fact, many consumers didn't really understand the concept of a generic at all. I remember customers coming into my store in the '70s asking about this new category of drugs called "genetics" or "geriatrics." They just couldn't seem to get it right. All they knew was what they had been told by the generic companies: it would save them money on their drug bills.

But just as consumers realized the cost savings in generics, so did the retailers. After all, wasn't substituting generics one way in which they could increase gross profit margins with little increase in inventory? Pharmacists began pushing the use of generics in their stores, a practice that today accounts for a major avenue for promoting generics. Our survey shows that consultation from pharmacists was the second-best form of promoting generics in those pharmacies we surveyed.

The generic boom seemed to take branded companies, and nearly everyone else (myself included), by surprise. The literature was full of anti-generic ads at the beginning of the '80s, but generic companies pursued their quest for market share. While our survey showed that some retailers are still being fed anti-generic information by a few branded reps, one would be hard-pressed to find any organized anti-generic activity by branded manufacturers on a national level.

It's also obvious that branded manufacturers have two choices: get into the generic marketing business or increase research and development to get more single-source products on the market. Unfortunately for the branded companies, third-party programs and a heavy emphasis on cost containment makes it all but impossible for the average consumer, or the physician for that matter, to be brand loyal anymore. On the other hand, the success of generics has started a price war among companies that manufacture and market generics.

The results of our generic study send out important messages to both the generic and branded manufacturers. To the generic companies, read and listen to what your customers want; to branded manufacturers, if it's not too late, maybe it's time to restructure the price schedules of those products that have already succumbed to generic pressures. There's enough business for everyone; now go out and get it.

LETTERS TO THE EDITOR

To the Editor:

Thank you for responding to the letter written by the 'redneck Texas Pharmacist' in *Cohen's Capsules* (March 20). I am also a Texas pharmacist but hopefully have a more open mind than my 'good ol' boy' counterpart. Being a young female in West Texas, I am used to strange looks in regards to my clothing, jewelry, and hair and have grown accustomed to being asked "Where's the pharmacist, hon?" Despite my appearance, customers have accepted my helpfulness and empathy, as they would that of any pharmacist. I apologize for the comments of my cohort and hope that among Texas pharmacists, my attitude is more the rule than the exception.

Bathany Boyd, R.Ph.
Odessa, Texas

To the Editor:

Concerning your column on heroin in pharmacies: Your statement, "Doctors report that less than half the dose of heroin produces the same pain relief as a dose of morphine" is a misleading comparison in itself because, as it leads to no supportable conclusion of value. But the real point is that heroin is converted to morphine in the body, and the latter is the active ingredient.

Having attended two major seminars on pain relief in the past 18 months, I would expect someone in your position to exhibit more familarity with the topic before discussing it with your readership.

J.L. Johnston. B.Sc. (Pharm)
Senior vp, Drug Trading Co. Ltd.

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425 Park Avenue
New York, NY 10022
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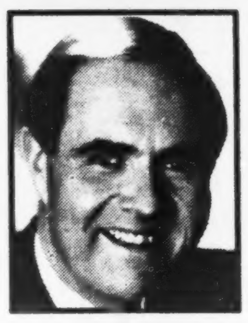
Gans' APhA agenda: 'Safe and effective drug use'


Gans

WASHINGTON — John A. Gans pledged to continue moving APhA forward during his first public appearance after being named executive vice president and chief executive officer of the association.

At a meeting with reporters at APhA headquarters in Washington, Gans, dean of the Philadelphia College of Pharmacy, expressed confidence in the future of pharmacy, and reiterated his commitment to solidifying the association's role in leading the profession forward.

A key element in the long-range strategic master plan developed by APhA's board of trustees is to position the association as the "foundation organization" for pharmacy, and in line with that goal Gans has advocated a strong, take-charge stance for APhA.

"In my opinion, APhA must provide the light, the vision to serve as a beacon for all of pharmacy, directing us in these changing and challenging times to achieve our professional purpose," he said.

Gans was selected for the top staff slot during an intense, two-month search sparked by the resignation of John F. Schlegel, who had served as APhA executive vp for the past five years.

In accepting the post of APhA executive vp, Gans cited the need for APhA to "set the agenda for safe and effective drug use in America."

His appointment was announced by R. David Cobb, APhA board chairman, who praised Gans' "vision and leadership," and credited him with being "at the forefront of pharmacy practice by creating a network of practitioners and facilities to support the education and training of pharmacy students."

Correction

The "financial profile of typical prescription department" chart that ran as part of the Annual Report of Retail Pharmacy in the May 15 issue, had chains and independents inadvertently switched. The corrected chart is below.

Financial profile of typical prescription department

Annual prescription sales of an average prescription dept.

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	$752,575	$854,406	13.5%	$644,740	$690,189	7.0%
Median	$674,000	$815,000	20.9	$635,277	$600,000	−5.6

Percentage of store sales accounted for by the Rx dept.

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	33.4%	34.3%	0.9%	70.9%	72.5%	1.6%
Median	31.5	33.4	1.9	70.0	72.5	2.5

Percentage margin maintained by average Rx dept.

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	31.9%	31.1%	−0.8%	31.1%	31.3%	0.2%
Median	40.0	31.2	−8.8	30.0	30.0	0.0

Dollar inventory at cost required for an average Rx dept.

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	$69,390	$78,160	12.6%	$72,874	$83,007	13.9%
Median	$61,000	$69,000	13.1	$60,000	$70,000	16.7

Number of turns on Rx inventory on an annual basis

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	8.0	8.3	3.1%	7.5	7.7	2.3%
Median	7.2	7.2	−0.4	8.0	8.0	0.0

Source: *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey

Sullivan: HHS has no policy to force reduction of AWP

WASHINGTON PERSPECTIVE
KEN RANKIN

NARD's aggressive lobbying campaign in defense of "pharmacists' earned discounts" seems to be making headway, despite continued attempts by a number of state Medicaid officials to slash Average Wholesale Price (AWP) reimbursement. In response to demands from NARD for a "moratorium" on such cuts, Health and Human Services (HHS) Secretary Louis Sullivan told the independent druggist group that there is no national policy by either HHS or the Health Care Financing Administration (HCFA) to force states to reduce AWP.

Medicaid drug officials in at least half-dozen states from Arkansas to Alaska have been moving to cut AWP payments, and some justify these reductions on the basis of national HCFA policy. Sullivan's statement's to NARD would appear to set the record straight.

The battle over pharmacy product cost reimbursement is far from over, however. Despite NARD's efforts, Sullivan declined to issue a moritorium on state AWP reductions, and a number of states appear likely to continue on this path. The druggists association expressed hope, though, noting that "separate actions from the secretary are expected in response to objections by NARD, members of Congress, and others to HCFA's strongarm tactics in these states."

Generic approval scandal prompts FDA shakeup The deepening scandal over generic drug approval bribery and corruption within FDA has prompted a major shakeup. Carl Peck, chief of FDA's Center for Drug Evaluation and Research, will personally supervise both the Division of Generic Drugs and the Division of Bioequivalence while the investigation into alleged staff wrongdoing unfolds. Peck and Gerald Meyer, Deputy Division director, will be solely responsible for approving all abbreviated new drug applications for generics.

That shift, in turn, triggered a series of lower-level personnel transfers and reassignments of duties, which FDA officials say are necessary "in order to be sure the generic drug process operates fairly—and with no doubt in the public's mind about these products—while studies of the generic drug operations continue."

At press time at least two of those accused in the generic corruption scandal—FDA chemist David Brancata and Pharmaceutical Basics' vp Raj Matkari—had pleaded guilty to illegal gratuity charges. According to staffers at Rep. John Dingell's House ove sight subcommittee, more charges of generic payoffs may surface soon.

Will kickback regulations hike drug costs? New Federal "anti-kickback" rules proposed by HHS to curb Medicare fraud will drive up drug costs to the program, officials at the American Society of Hospital Pharmacists warned. In commenting on the department's latest proposal, ASHP said the planned restrictions would unnecessarily limit how pharmaceuticals are purchased and restrict opportunities for discounts.

The group fears that a number o commonly accepted drug purchasing practices could fall under the rule's definition of an illegal kickback and subject hospital pharmacists to criminal prosecution. Charging that the proposal would have a "chilling effect on legitimate, pro-competitive arrangements which ar routine and permissibl today," ASHP aske that drug purchases at least temporarily e cluded from the rules.

Dingell urges retu rule relaxation Hous Energy and Commerc Committee Chairma John Dingell (D-Mich.) the chief sponsor of the two year-old Federal anti-drug diversion law, urged FDA to relax its rules limiting pharmaceutical returns by institutions. At issue: rules which hospital pharmacists contend actually contribute to diversion by preventing institutions from returning drugs ordered by mistake or in excess quantities. Those regulations, issued to implement the law's ban on resales by hospitals, have been given an "illogical, inequitable, and wholly unintended interpretaion" by drug wholesalers," Dingell charged in a letter to the agency.

"Unfortunately, the National Wholesale Druggists' Association (NARD) has singularly interpreted the statutory language banning resales by hospitals and health care entities in a manner which rebounds to their economic benefit, but does a disservice to the overall interest of the pharmaceutical industry, pharmacists and to the public," Dingell fumed. "Specifically, I believe that FDA needs to amend its policy guidelines to permit returns by hospitals and other health care entities."

In order to "help restore the competitive balance that existed prior to the self-serving interpretation of the term resale by the NWDA" and to "distinguish legitimate returns from" diverted drugs, Dingell proposed that FDA:

- Allow unrestricted returns of Rx drugs to the wholesaler or manufacturer from which the hospital purchased them;
- Require the institution to leave a clear paper trail by filling out existing credit memo forms for all returns; and
- Permit wholesalers who receive such returns to either destroy the drugs, return them to stock, or ship them back to the manufacturer, whichever is "consistent with the policy of the wholesaler and the manufacturer."

Dingell's decision to press for changes in FDA's drug return policies drew immediate support from pharmacy groups as well as the Pharmaceutical Manufacturers Assoc. According to Joseph Oddis, American Society of Hospital Pharmacists' executive vp, "the FDA policy and NWDA's interpretation represents a threat to the safety of America's drug supply and may translate into higher health-care costs for the consumer." Calling the outcome of FDA's approach "ironic," Oddis charged that it "fosters a situation in which drug products are far more likely to be diverted—precisely the activity Congress sought to avoid."

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Savings to customers drives generic dispensing: study

Continued from page IP1

policy to substitute or purchase one generic over another played only a minor role in what they purchased and dispensed. The lowest rating was given to rebates and other incentives as a reason for purchasing from a particular generic company.

Substitution on the rise

As third-party prescriptions continue to make strong inroads because of branded prescription products losing their patent protection, generic prescription sales will continue to climb proportionately upward. According to the survey, 97 percent of the pharmacists surveyed reported a 23.8-percent increase in the number of generic prescriptions filled in 1989. The newly-passed Medicare Catastrophic Bill *(see cover story p. IP1 this issue)* and increases in third-party prescription plans, which is expected to peak at approximately 70 percent in the next 10 years, are major forces driving pharmacists substituting generics for patent-expired branded drugs.

While third-party prescriptions are certain to play an important role in the hefty increase of generic substitution in the next 10 years, according to pharmacists answering the survey, the overall reason to substitute still remains bottom-line oriented, centered around what cost savings they can pass along to their customers.

The importance of cost containment on prescriptions is obvious for customers not participating in a third-party prescription plan who must pay out-of-pocket expenses for costly drug products. But, cost savings to the customer also becomes an important issue even if the customer *is* on a third-party plan because many of today's third-party plans are structured so that the co-payment paid by the planholder is greater if a branded drug is dispensed when a generic for that drug is available.

For example, one New Jersey Blue Cross prescription plan dictates that the cardholder pay a $5.00 co-pay for each prescription filled if a branded drug is desired when a substitutable generic is available. If the cardholder opts for the generic in the first place, the co-pay drops to $3.00. If the drug being dispensed is a single-source entity, that is, still protected by patent laws with no generic available, the lower co-pay is required.

But according to study results, price wasn't the only issue. The pharmacists said that price is a moot point in many cases because consumers who belong to HMOs or PPOs often have no choice whether they

Continued on page IP30

How MDs write prescriptions

Generically	20.1%
Brand only/*no generic substitution permitted*	14.5
Brand/*generic substitution permitted*	36.6
Single source drug only/*no generic available*	28.8

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey

GeneRics
1989
Substitution
Survey

Top 10 branded drugs most often substituted by pharmacists

(In descending order)

1. Tylenol with Codeine #3
2. Motrin/Dyazide*
3. Darvocet N 100
4. Lasix
5. Inderal
6. Keflex/Valium*
7. Hydrodiuril
8. Bactrim DS/Amoxil*
9. Persantine
10. Flagyl/Elavil/Septra DS*

*Tied for position

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey

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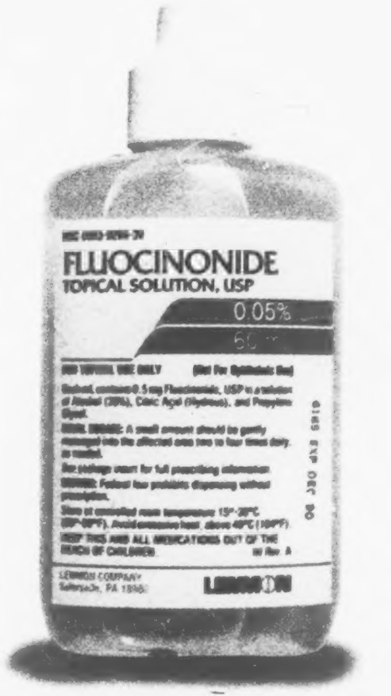

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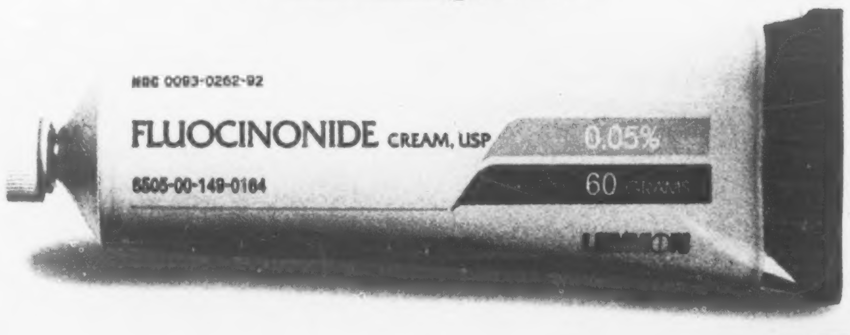

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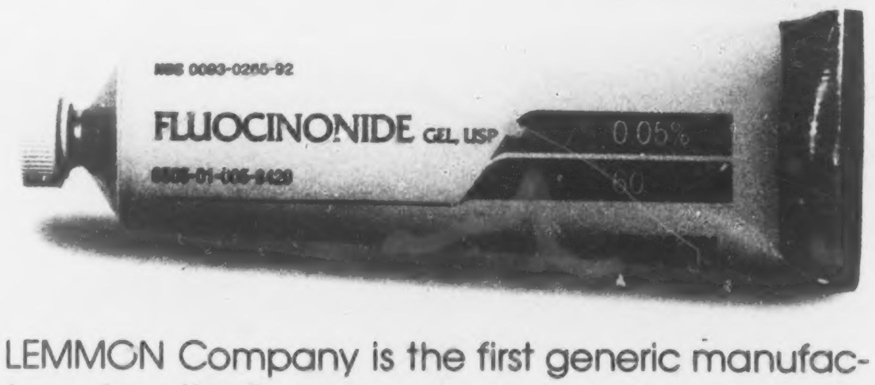

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PRAZOSIN HYDROCHLORINE CAPSULES, USP

DESCRIPTION

Prazosin hydrochloride, a quinazoline derivative, is the first of a new chemical class of antihypertensives. It is the hydrochlorine salt of 1-(4-amino-6,7-dimethoxy-2-quinazolinyl)-4-(2-furoyl) piperazine and its structural formula is:

It is a white to tan powder, slightly soluble in water and methanol, very slightly soluble in alcohol, practically insoluble in chloroform and acetone, and has a molecular weight of 419.87.

Each capsule, for oral administration, contains prazosin hydrochloride equivalent to 1 mg, 2 mg or 5 mg of prazosin.

CLINICAL PHARMACOLOGY

The exact mechanism of the hypotensive action of prazosin is unknown. Prazosin causes a decrease in total peripheral resistance and was originally thought to have a direct relaxant action on vascular smooth muscle. Recent animal studies, however, have suggested that the vasodilator effect of prazosin is also related to blockage of postsynaptic *alpha*-adrenoceptors. The results of dog forelimb experiments demonstrate that the peripheral vasodilator effect of prazosin is confined mainly to the level of the resistance vessels (arterioles). Unlike conventional *alpha*-blockers, the antihypertensive action of prazosin is usually not accompanied by a reflex tachycardia. Tolerance has not been observed to develop in long term therapy.

Hemodynamic studies have been carried out in man following acute single dose administration and during the course of long term maintenance therapy. The results confirm that the therapeutic effect is a fall in blood pressure unaccompanied by a clinically significant change in cardiac output, heart rate, renal blood flow and glomerular filtration rate. There is no measurable negative chronotropic effect.

In clincial studies to date, prazosin has not increased plasma renin activity.

In man, blood pressure is lowered in both the supine and standing positions. This effect is most pronounced on the diastolic blood pressure.

Following oral administration, human plasma concentrations reach a peak at about three hours with a plasma half-life of two to three hours. The drug is highly bound to plasma protein. Bioavailability studies have demonstrated that the total absorption relative to the drug in a 20% alcoholic solution is 90%, resulting in peak levels approximately 65% of that of the drug in solution. Animal studies indicate that prazosin is extensively metabolized, primarily by demethylation and conjugation, and excreted mainly via bile and feces. Less extensive human studies suggest similar metabolism and excretion in man.

In clinical studies in which lipid profiles were followed, there were generally no adverse changes noted between pre- and post-treatment lipid levels.

INDICATIONS AND USAGE

Prazosin hydrochloride capsules are indicated in the treatment of hypertension. As an antihypertensive drug, it is mild to moderate in activity. It can be used as the initial agent or it may be employed in a general treatment program in conjunction with a diuretic and/or other antihypertensive drugs as needed for proper patient response.

CONTRAINDICATIONS

None known.

WARNINGS

Prazosin hydrochloride may cause syncope with sudden loss of consciousness. In most cases this is believed to be due to an excessive postural hypotensive effect, although occasionally the syncopal episode has been proceded by a bout of severe tachycardia with heart rates of 120-160 beats per minute. Syncopal episodes have usually occurred within 30 to 90 minutes of the initial dose of the drug; occasionally they have been reported in association with rapid dosage increases or the introduction of another antihypertensive drug into the regimen of a patient taking high doses of prazosin. The incidence of syncopal episodes is approximately 1% in patients given an initial dose of 2 mg or greater. Clinical trials conducted during the investigational phase of this drug suggest that syncopal episodes can be minimized by limiting the initial dose of the drug to 1 mg, by subsequently increasing the dosage slowly, and by introducing any additional antihypertensive drugs into the patient's regimen with caution (See **DOSAGE AND ADMINISTRATION**). Hypotension may develop in patients given prazosin who are also receiving a beta-blocker, such as propranolol.

If syncope occurs, the patient should be placed in the recumbent position and treated supportively as necessary. This adverse effect is self-limiting and in most cases does not recur after the initial period of therapy or during subsequent dose titration.

Patients should always be started out on the 1 mg capsules of prazosin hydrochloride. The 2 and 5 mg capsules are not indicated for initial therapy.

More common than loss of consciousness are the symptoms often associated with lowering of the blood pressure, namely, dizziness and lightheadedness. The patient should be cautioned about these possible adverse effects and advised what measures to take should they develop. The patient should also be cautioned to avoid situations where injury could result should syncope occur during the initiation of prazosin therapy.

PRECAUTIONS

Information for Patients: Dizziness or drowsiness may occur after the first dose of this medicine. Avoid driving or performing hazardous tasks for the first 24 hours after taking this medicine or when the dose is increased. Dizziness, light-headedness or fainting may occur, especially when rising from a lying or sitting position. Getting up slowly may help lessen the problem. These effects may also occur if you drink alcohol, stand for long periods of time, exercise, or if the weather is hot. While taking prazosin hydrochloride, be careful in the amount of alcohol you drink. Also, use extra care during exercise or hot weather, or if standing for long periods. Check with your physician if you have any questions.

Drug Interactions

Prazosin has been administered without any adverse drug interaction in limited clinical experience to date with the following: (1) cardiac glycosides—digitalis and digoxin; (2) hypoglycemia—insulin, chlorpropamide, phenformin, tolazamide, and tolbutamide; (3) tranquilizers and sedatives—chlordiazepoxide, diazepam, and phenobarbital; (4) antigout—allopurinol, colchicine, and probanecid; (5) antiarrhythmics—procainamide, propranolol (see **WARNINGS** however), and quinidine; and (6) analgesics, antipyratics and anti-inflammatories—propoxyphene, aspirin, indomethacin and phenylbutazone.

Addition of a diuretic or other antihypertensive agent to prazosin hydrochloride has been shown to cause an additive hypotensive effect. This effect can be minimized by reducing the prazosin dose to 1 to 2 mg three times a day, by introducing additional antihypertensive drugs cautiously and then by retitrating prazosin based on clinical response.

Drug/Laboratory Test Interactions

In a study of five patients given from 12 to 24 mg of prazosin per day for 10 to 14 days, there was an average increase of 42% in the urinary metabolite of norepinephrine and an average increase in urinary VMA of 17%. Therefore, false positive results may occur in screening tests for pheochromocytoma in patients who are being treated with prazosin. If an elevated VMA is found, prazosin should be discontinued and the patient retested after a month.

Laboratory Tests

In clinical studies in which lipid profiles were followed, there were generally no adverse changes noted between pre- and post-treatment lipids levels.

Carcinogenesis, Mutagenesis, Impairment of Fertility: No carcinogenic potential was demonstrated in an 18 month study in rats with prazosin hydrochloride at dose levels more than 225 times the usual maximum recommended human dose of 20 mg per day. Prazosin was not mutagenic is *in vivo* genetic toxicology studies. In a fertility and general reproductive performance study in rats, both males and females, treated with 75 mg/kg (225 times the usual maximum recommended human dose), demonstrated decreased fertility while those treated with 25 mg/kg (75 times the usual maximum recommended dose) did not.

In chronic studies (one year or more) of prazosin hydrochloride in rats and dogs, testicular changes consisting of atrophy and necrosis occurred at 25 mg/kg/day (75 times the usual recommended human dose). No testicular changes were seen in rats or dogs at 10 mg/kg/day (30 times the usual maximum recommended human dose). In view of the testicular changes observed in animals, 105 patients on long term prazosin therapy were monitored for 17-ketestoroid excretion and no changes indicating a drug effect were observed. In addition, 27 males on prazosin for up to 51 months did not have changes in sperm morphology suggestive of drug effect.

Usage in Pregnancy: Pregnancy Category C. Prazosin has been shown to be associated with decreased litter size at birth, 1, 4, and 21 days of age in rats when given doses more than 225 times the usual maximum recommended human dose. No evidence of drug-related external, visceral, or skeletal fetal abnormalities were observed. No drug-related external, visceral, or skeletal abnormalities were observed in fetuses of pregnant rabbits and pregnant monkeys at doses more than 225 times and 12 times the usual maximum recommended human dose respectively.

The use of prazosin and a beta-blocker for the control of severe hypertension in 44 pregnant women revealed no drug-related fetal abnormalities or adverse effects. Therapy with prazosin was continued for as long as 14 weeks.[1]

Prazosin has also been used alone or in combination with other hypotensive agents in severe hypertension of pregnancy by other investigators. No fetal or neonatal abnormalities haven been reported with the use of prazosin.[2]

There are no adequate and well controlled studies which establish the safety of prazosin in pregnant women. Prazosin hydrochloride should be used during pregnancy only if the potential benefit justifies the potential risk to the mother and fetus.

Nursing Mothers: Prazosin hydrochloride has been shown to be excreted in small amounts in human milk. Caution should be exercised when prazosin hydrochloride is administered to a nursing woman.

Usage in Children: Safety and effectiveness in children have been not established.

ADVERSE REACTIONS

Clinical trials were conducted on more than 900 patients. During these trials and subsequent marketing experience, the most frequent reactions associated with prazosin hydrochloride therapy are: dizziness 10.3%, headache 7.8%, drowsiness 7.6%, lack of energy 6.9%, weakness 6.5%, palpitations 5.3%, and nausea 4.9%. In most instances side effects have disappeared with continued therapy or have been tolerated with no decrease in dose of drug.

Less frequent adverse reactions which are reported to occur in 1-4-% of patients are:

Gastrointestinal: Vomiting, diarrhea, constipation.
Cardiovascular: Edema, orthostatic hypotension, dyspnea, syncope.
Central Nervous System: Vertigo, depression, nervousness.
Dermatologic: Rash.
Genitourinary: Urinary frequency.
EENT: Blurred vision, reddened sclera, epistaxis, dry mouth, nasal congestion.

In addition, fewer than 1% of patients have reported the following (in some instances, exact causal relationships have not been established):

Gastrointestinal: abdominal discomfort and/or pain, liver function abnormalities, pancreatitis.
Cardiovascular: tachycardia.
Central Nervous System: parethesia, hallucinations.
Dermatologic: pruritus, alopecia, lichen planus.
Genitourinary: incontinence, impotence, priapism.
EENT: tinnitus.
Other: Diaphoresis, fever, positive ANA titer, arthralgia.

Single reports of pigmentary mottling and serous retinopathy, and a few reports of cataract development or disappearance have been reported. In these instances, the exact causal relationship has not been established because the baseline observations were frequently inadequate.

In more specific slit-lamp and funduscopic studies, which included adequate baseline examinations, no drug-related abnormal ophthalmological findings have been reported.

OVERDOSAGE

Accidental ingestion of at least 50 mg of prazosin hydrochloride in a two year old child resulted in profound drowsiness and depressed reflexes. No decrease in blood pressure was noted. Recovery was uneventful.

Should overdosage lead to hypotension, support of the cardiovascular system is of first importance. Restoration of blood pressure and normalization of heart rate may be accomplished by keeping the patient in the supine position. If this measure is inadequate, shock should first be treated with volume expanders. If necessary, vasopressors should then be used. Renal function should be monitored and supported as needed. Laboratory data indicate prazosin is not dialyzable because it is protein bound.

DOSAGE AND ADMINISTRATION

The dose of prazosin hydrochloride should be adjusted according to the patient's individual blood pressure response. The following is a guide to its administration:

Initial Dose

1 mg two or three times a day. (See **WARNINGS**)

Maintenance Dose

Dosage may be slowly increased to a total daily dose or 20 mg given in divided doses. The therapeutic dosages most commonly employed have ranged from 6 mg to 15 mg daily given in divided doses. Doses higher than 20 mg usually do not increase efficacy, however a few patients may benefit from further increases up to a daily dose of 40 mg given in divided doses. After initial titration some patients can be maintained adequately on a twice daily dosage regimen.

Use With Other Drugs:

When adding a diuretic or other antihypertensive agent, the dose of prazosin hydrochloride should be reduced to 1 mg or 2 mg three times a day and retitration than carried out.

HOW SUPPLIED

Available as an ivory capsule, filled with white powder, imprinted Z4067, containing prazosin HCl, USP, equivalent to 1 mg of prazosin, packaged in bottles of 100, 250, and 1000 capsules; as a pink capsules, filled with white powder, imprinted Z4068, containing prazosin HCl, USP, equivalent to 2 mg of prazosin, packaged in bottles of 100, 250, 1000 capsules; and as a blue capsule, filled with white powder, imprinted Z4069, containing prazosin HCl, USP, equivalent to 5 mg of prazosin, packaged in bottles of 100, 250 and 500 capsules.

NDC Numbers:

1 mg (as prazosin)	2 mg (as prazosin)	5 mg (as prazosin)
0172-4067-60 (100's)	0172-4068-60 (100's)	0172-4069-60 (100's)
0172-4067-65 (250's)	0172-4068-65 (250's)	0172-4069-65 (250's)
0172-4067-80 (1000's)	0172-4068-80 (1000's)	0172-4069-70 (500's)

PHARMACIST: Dispense in well-closed, light-resistant container as defined in the USP. Use child-resistant closure.

Store at controlled room temperature 15-30°C (59-86°F).

Protect from light and moisture.

CAUTION: Federal law prohibits dispensing without prescription.

REFERENCES

[1] Lubbe, WF, and Hodge, JY: *New Zealand Med J* 94 (691) 169-172, 1981.
[2] Davey, DA, and Dommisse, J: *S.A. Med J.* Oct. 4, 1980 (551-556).

FINAL DOSAGE FORM
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Generic Substitution Study

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Pharmacists responding to a survey on generic substitution pointed to consultation as a major consideration in switching consumers from branded drugs to generic counterparts.

Bioavailability and effectiveness top Rx'ers generic drug concerns

Continued from page IP27

get a branded or generic drug. The pharmacists said that many managed health care formularies connected to HMOs and PPOs and some state substitution laws leave consumers no choice between generic and brand. In those cases, cost containment is always the determining factor, and more times than not, it mandates that a generic be dispensed where available.

GeneRics
1989 Rx
Substitution
Survey

The same is true for most mail-order pharmacies as well.

Pharmacists answering the survey were asked to rank those factors they felt influenced generic substitution in the retail marketplace. On a scale of 1 to 5, with 5 being the highest and 1 the lowest, "price" pulled in an average strength of 4. Third-party programs such as HMOs and PPOs, and state substitution laws both were rated with a 3.5 or greater. Mail order and physician dispensing respectively rated lower.

Pharmacists make a difference

It should be no surprise to anybody in retail pharmacy that generic substitution is on the rise. But what may come as a surprise to many is tha much of that increase is due di rectly to pharmacists' consul tations.

The survey showed that al though the primary metho used by pharmacists to pro mote generics in their store was in-store signs and bro chures, pharmacists' consulta tions ranked high.

More than one-third sai consultation was an importan method of promoting the use generics over branded drug Other key areas of promotio included ads in newspapers, prescription bags and radi and by word of mouth. Surpri ingly, the pharmacists felt th a doctor's consultation with p tients at the time the prescri tion was written was relative unimportant in promoting t use of generics. However, t survey also showed that t

Continued on page IP

Why pharmacists substitute/purchase one generic over another

Reason	Scale*
Cost saving to the customer	4.07
Professional reputation of generic company	4.06
Therapeutic/Bioequivalency of the product	3.94
Product availability	3.70
Improved profit	3.54
Patient request	3.40
Store/company policy	2.58
Rebates or other incentives	1.61

*Based on a scale of 1 to 5 (5 the highest, 1 the lowest)

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey

How pharmacists promote generic substitution

Method	% Responding
In-store signs/brochures	86%
Pharmacists' consultation	36
Newspapers	22
On prescription bags	20
Radio	13
Word of mouth	9
Television/magazines	5
Direct mail ads	4
Doctors' consultation	2

Percentages add up to greater than 100% due to multiple responses

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey

Generic Substitution Study

DRUG STORE NEWS®
INSIDE
PHARMACY
PHARMACIST EDITION

Generics save consumers' $: Rx'ers

GeneRics
1989
Substitution
Survey

Continued from page IP30

way physicians write prescriptions *did* play a major role in the increase in generic substitution at drug stores.

The survey clearly showed that the branded pharmaceutical companies are apparently losing their battle against generic substitution, even though the opportunity exsists for them to capture much of that business once the prescription is written.

According to the survey, while only a little more than one-third of the prescriptions written by physicians permitted generic substitution, only 30 percent are actually being filled by the branded product, the rest are filled generically. The survey uncovered that 36.6 percent of all prescriptions pharmacists fill are written for the brand-name drug with an indication that *substitution is permitted*; only 14.5 percent of prescriptions written are for the brand with *no substitution permitted*. That gives the branded pharmaceutical companies the opportunity to grab nearly half of all the prescriptions written.

But, much to the branded manufacturers' chagrin, the pharmacists polled said that when the prescription allows for substitution, 70 percent are, in fact, being filled with a generic substitute. Only 20.1 percent of prescriptions are written for the generic originally, and 28.8 percent of all prescriptions were for a single-source drug that does not have a generic counterpart.

The survey showed that the top five branded drugs most heavily substituted included, in descending order, Tylenol with Codeine #3, Motrin, Dyazide, Darvocet-N 100 and Lasix.

Finding generics not a problem

The pharmacists surveyed were asked if they were having any problem finding suitable generics to use given mandated HMO and other third-party formulary guidelines for substitution. More than one-third of the sample said they had no difficulty finding appropriate generics, while another 20 percent said they found it "somewhat difficult" locating generics to fit various formulary guidelines.

When the pharmacists were asked if any company or group tried to influence them *not* to substitute, more than half said they were influenced in one way or another not to substitute a generic for a particular brand.

The effects of patent loss

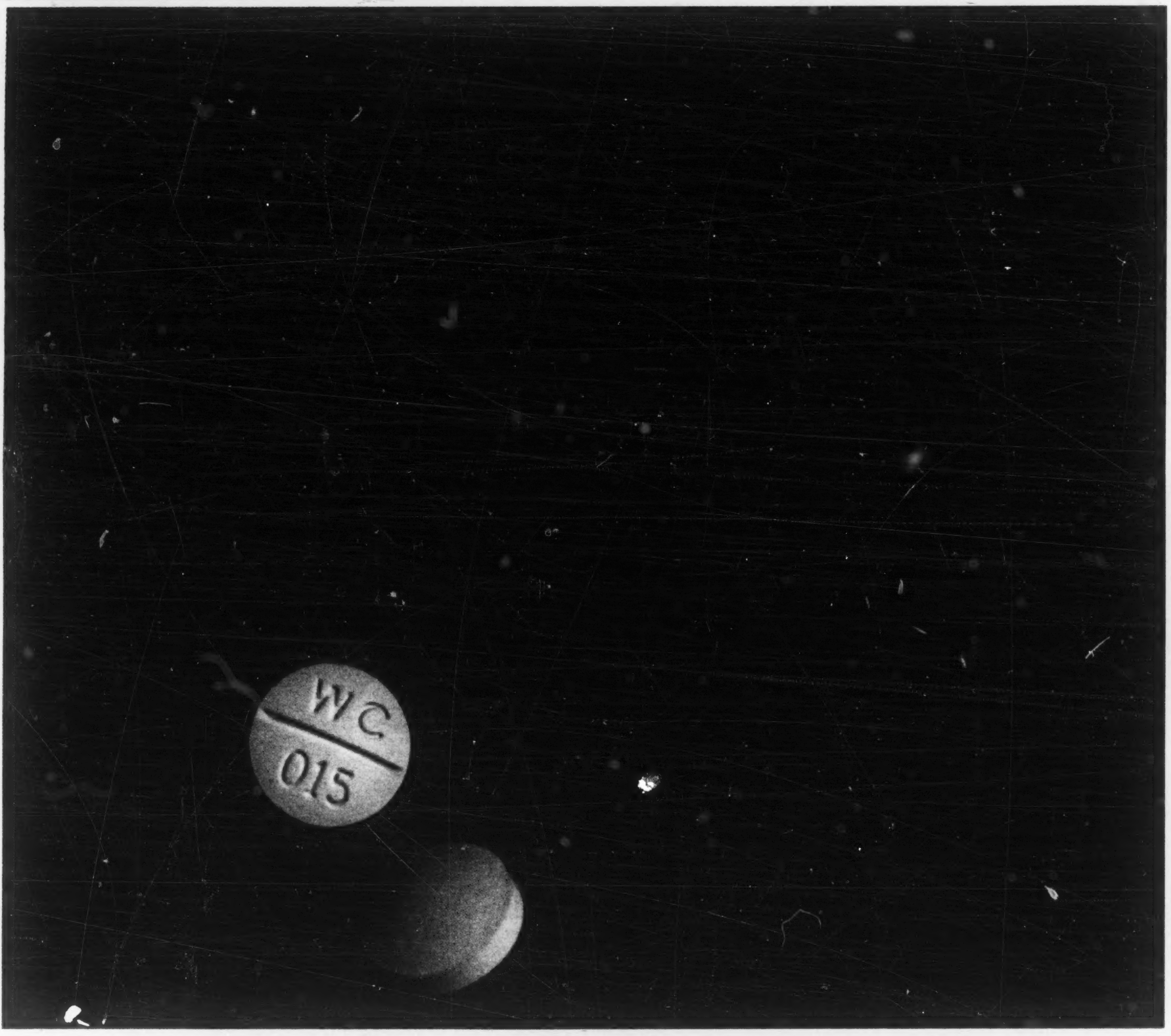
The biggest pressures not to substitute, they said, came from several branded manufacturers. "Most of the major manufacturers are very upset when they lose their patent," said one pharmacist. Another said "Most reps will lie to influence you." Many said that branded companies, through their sales force, try to "dispute bioavailability claims." But at least one pharmacist said that if these companies "can prove that there is a real difference," then he stays with the branded drug.

Factors affecting generic substitution

Reason	Scale*
Price	4.00
Managed health care (HMO's, PPO's, PSAO's etc.)	3.70
State substitution laws	3.50
Mail order	3.47
Uniformity in size, shape and color of generic product	3.16
Insurance plans with "generic only" policies	2.00

*Based on a scale of 1 to 5 (5 the highest, 1 the lowest)

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey



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Perry's profits climb for 2nd qtr., six months

PONTIAC, Mich. — For the third consecutive quarter, Perry Drug Stores reported significant profit improvement for the second quarter ended April 30.

Net earnings for the quarter, after applying a tax loss carryforward, totaled $722,000, or 7 cents a share; a 163-percent gain over the $275,000 earnings from continuing operations after taxes, or 3 cents a share, reported for the same period last year.

For the six months, net earnings, after applying a tax loss carryforward, increased to $4.9 million, or 49 cents a share; a 133-percent gain over earnings of $2.1 million from continuing operations after taxes, or 21 cents a share, reported for last year's first half.

"Obviously, we are very pleased with our continued improvement in profitability," said Jack A. Robinson, chairman and ceo. "Our margins continue to improve, and we are maintaining control over warehouse, store operating and administrative expenses."

Second-quarter sales were $159 million, compared with $158 million for the year-earlier period. Sales for the six months were $344 million, a 3-percent increase over the $334 million reported for the half last year.

Sales increases were softer than the company had hoped for, Robinson said, reflecting decreases resulting from the removal of auto parts from Perry stores and some temporary slowdown in sales caused by disruptions from store remodeling.

"We expect to regain these sales as auto parts are replaced with traditional drug store merchandise and the remodelings are completed," Robinson said.

The 220-store chain has completed renovation of 50 stores into its "Store of the 1990s" format and targets 30 more remodels by fiscal year end Oct. 31.

Perry said it had closed or sold six unproductive drug stores as of May 30 and opened three new stores.

"Overall, with margins continuing to improve and expenses under control, we expect that fiscal 1989 will be a very good turnaround year for our company," Robinson said.

Big B posts sales record of $271M for fiscal 1989

BESSEMER, Ala. — At its annual meeting to shareholders held here recently, Big B announced a new sales record of $271.3 million for fiscal 1989, up 9.1 percent from the previous year.

The Alabama-based chain, which recently added 85 former Reed drug stores to its roster and expanded its trading areas to Atlanta and Columbus, Ga., also reported sales from drug stores were up 21.8 percent for fiscal '89, resulting from a same-store sales increase of 9.5 percent and sales from the 23 new Big B drug stores and six Drugs For Less deep discount drug stores that opened during the year.

Mac Jones, executive vp, told *Drug Store News* that the former Reed stores have all been renamed Big B. Jones also said that the chain is continuing to look for additional opportunities in the five states where the chain operates (Alabama, Georgia, Florida, Tennessee, and Mississippi). "We have no plans at the current time to move outside these areas," Jones said. The chain plans to open 15 to 20 new stores this year.

Several of the new units will be Drugs For Less, but the majority of new stores will be Big B drug stores.

Big B stepped up its advertising strategies somewhat since the chain acquired the 85 stores. "We've used television and radio more prominently for the grand opening of the new stores," Jones said, but after that initial push, the new stores will follow the Big B's standard advertising policy. "We'll continue to use a combination of tabloid ads, regular newspaper ads, and some television and radio commercials during peak seasonal selling times," he said.

In honor of the grand opening celebration of the 85 stores, Big B is holding a drawing to give away a Ford convertible. He said the drawing will be held before July 4th.

In other changes, Jones said the chain was forced to make some operational cutbacks, eliminating some Reed employees whose job descriptions overlapped with employees of Big B. And all former Reed stores now carry Big B's pricing strategy, which Jones said is significantly lower than what Reed offered.

Bindley's 1st quarter: sales up, net down

INDIANAPOLIS — Bindley Western Industries reported sales increased 17 percent while earnings declined 24 percent for the first quarter ended March 31.

Net earnings for the quarter were $901,000, versus $1,178,000 in the 1988 period. Sales rose to $362.2 million from $309.6 million.

The company said the main cause of the earnings drop was a $695,000 increase in interest expense, of which about $400,000 related to the cost of carrying the Revco pre-bankruptcy petition accounts receivable.

Additional factors included a provision for LIFO charges that amounted to $200,000 more in 1989 than in the previous year, startup costs associated with moving the Dallas division into a new full-line facility, and increased sales costs of implementing new marketing programs in six divisions, according to the company.

The wholesaler operates 10 distribution centers.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 05/26/89 - 06/12/89								Latest 12 Months vs Preceding 12 Months Change				
					Change		52-Week						Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last Fiscal Year	Amt.	Pct.	Latest P/E Ratio	Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	66.88	62.63	65.13	2.13	3.37	66.88	47.63	2.54	-1.54 q	-38.9	26.9	1.00	1.5
Arbor Drugs	ARBR	25.00	23.75	25.00	1.50	6.38	25.00	12.00	1.05	-.05 n	-4.9	25.8	.16	.6
Big B	BIGB	13.75	11.38	13.75	2.38	20.88	15.88	10.75	.91	-.22 q	-20.8	16.4	.16	1.2
Fay's Drug	FAY	12.63	11.25	12.00	.28	2.40	12.63	7.28	.66	.29 q	70.7	17.1	.18	1.5
Genovese Drug	GDX	12.25	10.75	11.00	-1.25	-10.20	12.88	8.75	.83	.20 f	31.7	13.3	.22	2.0
Longs Drg Strs	LDG	39.50	37.75	39.00	.25	.65	39.50	33.63	2.75	.35 q	14.2	13.9	.96	2.5
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	2.00	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	31.75	29.25	30.50	1.50	5.17	31.75	20.75	1.11	.30 s	31.6	24.4	.10	.3
Perry Drug	PDS	12.50	10.75	11.88	1.00	9.20	13.50	5.25	-3.15	.17 q	NE	NE	.00	.0
Rite Aid Corp	RAD	36.50	35.00	36.13	.75	2.12	39.00	29.13	2.30	-1.11 f	-32.6	15.7	.82	2.3
Walgreen Co	WAG	43.25	39.63	43.25	3.75	9.49	43.25	27.13	2.10	.43 s	22.4	18.4	.68	1.6
Wholesaler's transactions														
Alco Health Svcs	AAHS	24.75	23.50	23.50	-1.75	-6.93	30.25	22.75	1.55	-.11 q	-7.4	17.0	.06	.3
Bergen Bruns	BBCA	29.50	28.75	29.38	.13	.43	30.25	18.75	1.78	.89 s	67.9	13.4	.32	1.1
Bindley Wstn	BIND	9.00	8.00	8.88	.88	10.94	10.00	6.63	.58	.22 q	68.8	16.4	.00	.0
Cardinal Distrb	CDIC	23.50	20.75	23.25	3.00	14.81	23.50	14.09	2.37	1.16 f	95.9	9.8	.08	.3
Durr Fillauer	DUFM	23.00	21.25	23.00	1.75	8.24	23.00	13.13	.92	.09 q	9.7	22.5	.24	1.0
Ketchum	KCH	5.38	5.00	5.13	-.13	-2.38	10.38	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	35.00	32.00	34.75	2.13	6.51	35.75	29.63	2.30	.07 f	3.1	15.1	1.44	4.1
Moore Med	MMD	14.00	12.50	13.75	.88	6.80	15.63	9.00	-2.17	-4.00 q	-100.0	NE	.00	.0
Owens Minor	OMI	13.25	11.50	12.88	.88	7.29	15.88	11.38	1.00	-.07 q	-7.4	14.6	.26	2.0
Manufacturer's transactions														
Abbott Labs	ABT	61.13	57.25	59.88	1.13	1.91	61.13	43.50	3.33	.53 q	18.2	17.4	1.40	2.3
Am Home Prod	AHP	95.63	92.50	95.13	1.25	1.33	96.63	72.25	6.38	.66 q	11.2	14.5	3.90	4.1
Baxter Intl	BAX	21.88	20.75	21.00	-.75	-3.45	21.88	16.25	1.31	.15 q	12.6	15.7	.56	2.7
Block Drugs Co	BLOCA	36.00	35.00	36.00	.75	2.13	36.00	27.50	2.55	.26 f	11.4	14.1	.64	1.8
Bolar Pharm	BLR	32.25	28.00	29.25	1.25	4.46	32.25	16.38	1.51	.45 q	41.3	19.0	.04	.1
Bristol-Myers	BMY	50.50	48.88	49.88	-.50	-.99	51.25	39.00	2.88	.38 q	14.7	16.8	2.00	4.0
Carter-Wallace	CAR	48.75	44.63	48.13	3.00	6.65	48.75	35.88	2.97	.47 f	18.8	16.2	.68	1.4
Forest Labs	FRX	33.50	31.13	33.13	1.75	5.58	33.50	19.25	1.20	.24 f	25.0	27.6	.00	.0
ICN Pharm	ICN	6.88	6.38	6.50	-.13	-1.89	7.75	5.63	.23	1.82 q	NE	50.0	.00	.0
Lee Pharm	LPH	4.38	3.88	4.13	.00	.00	7.13	3.75	-.23	.49 s	NE	NE	.00	.0
Leiner P Nutri	PLI	20.88	18.00	19.75	2.13	12.06	20.88	9.13	1.12	.26 f	30.2	17.6	.00	.0
Lilly Eli Co	LLY	57.63	54.50	56.75	.88	1.57	58.50	40.19	2.67	.53 q	22.8	19.9	1.35	2.4
Marion Labs	MKC	27.75	25.00	26.00	-1.38	-5.02	28.25	16.38	.96	.39 n	44.3	20.5	.36	1.4
Merck & Co	MRK	72.25	68.50	70.88	.38	.53	72.88	53.50	3.05	.80 q	33.1	22.0	1.64	2.3
Morton Thiokol	MTI	47.38	45.38	46.88	.50	1.08	50.00	35.63	3.33	-.82 n	-24.8	18.9	.92	2.0
Mylan Labs	MYL	10.63	9.75	10.50	.50	5.00	13.25	7.50	.50	-.20 f	-28.6	21.0	.10	1.0
Newport Pharm	NWPH	6.44	4.56	5.00	-1.19	-19.19	6.56	1.75	-.45	-.42 q	NC	NE	.00	.0
Par Pharm	PRX	11.25	9.88	9.88	-.75	-7.06	18.50	7.88	.99	-.21 s	-18.9	11.0	.04	.4
Pfizer Inc	PFE	62.50	60.63	61.13	-.13	-.20	64.25	49.63	4.70	.56 q	13.1	12.7	2.20	3.6
Robins, AH	QRAH	27.00	26.50	26.75	-.38	-1.38	28.38	21.88	2.42	67.78 q	NE	10.6	.00	.0
Rorer Group	ROR	41.38	39.13	39.75	-1.50	-3.64	48.25	32.25	1.96	-.55 q	-21.6	19.9	.80	2.0
Scherer RP Cp	SCHC	30.50	15.75	16.00	-14.00	-46.67	33.38	15.75	.76	-.28 f	-26.9	21.1	.40	2.5
Scher Plough	SGP	69.50	66.13	68.25	.88	1.30	69.50	49.50	3.48	.77 q	26.4	18.5	1.80	2.6
Squibb Corp	SQB	81.75	77.50	80.38	-.75	-.92	83.50	60.00	4.30	.85 q	23.3	17.9	2.00	2.5
Syntex Corp	SYN	54.50	46.63	52.25	4.50	9.42	54.50	35.00	2.51	.37 n	15.4	18.8	1.50	2.9
Upjohn Co	UPJ	33.25	31.38	32.50	.50	1.56	34.50	27.00	1.90	.24 q	14.0	16.7	.88	2.7
Warner-Lambrt	WLA	93.00	88.25	91.38	1.63	1.81	93.00	64.50	5.00	.92 q	21.1	17.3	2.56	2.8
Zenith Labs	ZEN	1.63	1.38	1.63	.13	8.33	2.75	1.00	-.89	-.33 f	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	49.25	45.13	48.25	2.63	5.75	49.25	30.00	2.44	.60 q	30.5	18.8	.80	1.7
K mart Cp	KM	38.38	36.25	37.25	-.63	-1.65	40.38	31.25	4.00	.44 q	12.8	9.6	1.64	4.4
Melville Cp	MES	46.88	43.25	44.00	-.63	-1.40	46.88	32.00	1.63	-1.12 q	-40.6	26.8	1.30	3.0
Penney, JC	JCP	59.75	56.00	57.38	-1.63	-2.75	60.13	44.88	6.02	1.87 q	45.0	9.5	2.24	3.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

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